CASH 時富

Celestial Asia Securities Holdings Limited

Annual Report 2002

Contents

Corporate Information

Board of Directors

Executive:

KWAN Pak Hoo Bankee *(Chairman & CEO)*
LAW Ping Wah Bernard *(CFO)*
CHAN Yau Ching Bob
KWOK Oi Kuen Joan Elmond
LAW Ka Kin Eugene
LI Yuen Cheuk Thomas

Independent Non-executive:

WONG Chuk Yan
CHAN Hak Sin
LEUNG Ka Kui Johnny

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Wing Hang Bank, Limited
Nanyang Commercial Bank, Limited
DBS Kwong On Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

Solicitors

Richards Butler
Sidley Austin Brown & Wood

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Company Secretary

KWOK Oi Kuen Joan Elmond, *ACIS*

Audit Committee

CHAN Hak Sin
LEUNG Ka Kui Johnny

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

21/F The Center
99 Queen's Road Central
Hong Kong

Registrars and Transfer Office in Hong Kong

Standard Registrars Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Contacts

Telephone : (852) 2287 8888
Facsimile : (852) 2287 8000
Website : *www.cash.com.hk*

Corporate Profile

CASH Group is a multi-faceted service conglomerate that addresses modern consumer needs in investment, finance, home improvement, as well as lifestyle products and services.

All our businesses share a common mission that our customers' interests always come first. Our brands are synonymous with good customer services, great quality and fabulous value.

FINANCIAL SERVICES

CASH Financial Services Group is one of Hong Kong's most prominent financial services conglomerates. It operates a premier securities and commodities brokerage. Its investment banking division serves regional corporations on a broad range of corporate finance and advisory matters.

HOME IMPROVEMENT

Pricerite Group is one of the region's leading furniture and household retailers. Through its comprehensive store network and its own Internet shopping channel, Pricerite offers the best service and value to its customers.

TECHNOLOGY SOLUTIONS

Halo Group provides both bespoke systems integration and consultancy services or deploy generic modular platforms to clients to enhance the efficiency of their business processes and profitability.

CASH family of listed companies

(as at 31 December 2002)

Celestial Asia Securities Holdings Limited ("CASH")
Listed on the Hong Kong Stock Exchange
(Stock code #1049)

50.08%

CASH Financial Services Group Limited ("CFSG")
Listed on GEM of the Hong Kong Stock Exchange
(Stock code #8122)

68.35%

Pricerite Group Limited ("Pricerite")
Listed on the Hong Kong Stock Exchange
(Stock code #996)

Chairman's Letter

Dear fellow shareholders,

It gives me great pleasure to present our 2002 annual results.

Last year we had greater difficulties than 2001. However, it was also a year when our previous work sheltered us from the adverse impact of the market place and enabled us to remain viable for the future.

The beginning of 2002 saw a continuous decline in the economic and the retail environment. The prolonged hardships experienced in Hong Kong precipitated in a vicious circle that resulted in increasingly cautious consumer spending.

Deflation created increasing pricing pressure that in turn precipitated progressively more difficult retail environment. Hong Kong's economy was more depressed than anytime in recent years. The unemployment rate as well as the number of personal bankruptcies reached its historic high to 7.2% and 6,973 in the fourth quarter of 2002.

Economic figures released by the Government's Census and Statistics Department indicated that the total retail sales in December 2002 dropped by 1.9% in value and 0.7% in volume when compared with December 2001. The figures of furniture and fixture sector were even worse, 13.4% and 10.5% drop in value and volume respectively were found. Weak property market persists, number of first hand and second hand residential transactions dropped by 3.8% in value and 3.0% in volume in 2002 when compared with the prior year. The Composite Consumer Price Index for December 2002 declined by 1.5% when compared with December 2001.

Needless to say, all our businesses suffered as a consequence. However, despite the difficulties, we are happy to report that by the end of the year, all the necessary steps have been taken to minimize our cost base and at the same time, all the necessary reforms and restructuring were completed to safeguard our future.

FINANCIAL SERVICES – CFSG GROUP

During the first quarter of 2002 the global economy showed a brief recovery, but investment appetite continued to be weak as fallouts such as the Enron debacle and poor corporate results from last year's recession continued to undermine investors' confidence. Locally, the poor market environment in 2001 led to the consolidation of pure Internet securities brokerages beginning the first quarter of 2002.

In 2002, CFSG continued its efforts to secure the position as a multiple financial services provider and investment services house of choice. We extended our core brokerage capabilities and offerings as well as further diversified our financial services offerings.

Chairman's Letter

CFSG commenced the integration of our online and offline retail presence and extended our service coverage for our electronic trading clients by rolling out electronic trading stations into our entire traditional branch network. Simultaneously, we finalised our corporate restructuring and rationalisation effort by closing our two cyber café demonstration outlets to reduce overlap in our geographic network coverage.

The local stock market staged a brief rebound at the beginning of 2002, stimulated in part by a price surge in technology-related shares in US. However, by the second quarter, market sentiments were weighed down by concern over rising unemployment and an uncertain business outlook. Consumer spending remained subdued, amidst record high unemployment rate and wage restraint. Investment sentiments, with concerns about job security, income uncertainty and protracted weakness in the asset markets, continued to be subdued. The global and regional economic environment also remained severe and indeterminate during the first half of 2002.

With China's accession into WTO, we focused significant efforts during the year to develop our expertise and business reach within the Mainland. Our Mainland reach together with the teams under development in our Shanghai liaison office will spearhead our Mainland business strategy.

The austere global and regional economic environment and local market uncertainties continued unabated throughout the second half of 2002.

As the weak investment sentiments prolonged, the Group faced difficult market conditions throughout the year. The subsequent weak consumer sentiments were further aggravated by the persistent sluggish property market and stock market. As a result, out of prudence, we made a provision for doubtful receivables from our accounts receivables amounting to HK$95.7 million.

Serving clients with new products

In January 2002, the Group successfully developed the requisite systems and gained approval from The Stock Exchange of Hong Kong Limited ("Stock Exchange") to act as a market maker for warrants trading. As a result, we became a designated market maker for premier partners such as KBC. By forming the partnership with these warrant specialists, we actively participated in the market of this new Stock Exchange product with great success.

We continued to develop our international trading hub through link-ups with regional and international brokerage partners. We further broadened the market coverage for securities trading services to stocks listed in Taiwan, Korea, Singapore and London, albeit only via traditional channels initially, upgrading the futures and options trading platform to extend trading services of futures and options products in eight overseas markets.

Chairman's Letter

Through the new partnerships, we offered fixed-income trading services that cover a wide range of bonds including US government treasury bonds, perpetual corporate bonds, and Hong Kong and US corporate bonds. Complemented by the link-ups to the market information of bond trading with the CASH on-line website, our investors were able to capture concrete and timely information through our platform.

The launch of our international commodities electronic trading platform in the third quarter represented a further step towards our Group's development to become an international trading hub through link-ups with regional and international brokerage partners.

We were the first to provide an electronic channel for international commodities trading in Hong Kong. The development of the platform is consistent with our aim to become the financial services house of choice for our clients. We extend our capabilities of technological advancement on financial services by providing our investors with a more convenient and flexible way of trading, and a comprehensive range of financial products and services, to fit their investment and wealth management needs.

Our new trading platform enables investors to trade existing futures and options products provided by the Hong Kong exchanges, as well as facilitates commodities trading services covering futures and options products of 12 overseas markets, including US, Germany, UK, France, Singapore, Korea and Australia, etc.

New face

To pave way for the increasing role Mainland investors would play in the Hong Kong market, the Group revamped the CASH on-line website that was completed in May 2002. Through the revamp of the website, we developed a simplified Chinese version of *www.cashon-line.com* and our electronic trading platform.

APICTA: the fruit of our endeavours

In September, we were awarded the prestigious Asia Pacific ICT Awards ("APICTA") under the e-commerce category for our electronic trading platform. The award was bestowed upon us after thorough review on entries from all over the Asia Pacific region. As our electronic trading platform is one of the vital elements supporting our business success and service offering, the receipt of the award further acknowledged the standards of our electronic trading platform and hence our quality of service.

Chairman's Letter

Cost control measures

We have maintained over the past two years the importance of preserving our financial strength in light of the challenging global and local economic environment. Our focus has been consistently on maintaining cost leadership and our capital strength. Due to the poor market environment, we during the year had to conduct further rounds of rationalisation in our staffing amounting to around 32% of our total headcount of the prior year. The rationalisation that took place was unfortunate but necessary for the Group to weather the prevalent market conditions and forthcoming challenges.

It is again the very same principle of capital strength preservation that we opted to refrain from renewing the lease for some of our branches. Under such difficult market conditions, we see little possibility for such branches to achieve profitability.

We will continue to review closely the market developments and continue our policy and dedication to be a secure and credible financial institution for our clients to entrust with their investment needs and our partners to work with.

HOME IMPROVEMENT – PRICERITE

In terms of our product mix, furniture and household products accounted for HK$335.1 million or 37.7% and HK$554.8 million or 62.3% respectively of our total sales of HK$889.9 million for the year under review. The five largest product categories by sales value for our household products were (1) Ready to Assembled Furniture, (2) Small Electrical Appliances, (3) Bathroom, Laundry and Cleaning, (4) DIY Products, and (5) Home Fashion. According to a recent market survey conducted by ACNielsen, our (1) Sofas, (2) Dining Tables or Chairs, (3) Guest Room Cabinets, (4) Tools, (5) Racks, (6) Movable Storage Accessories, and (7) Washroom Products enjoyed leading market share in terms of value in Hong Kong. In particular, our market share in Movable Storage Accessories is over 40%, which is almost 3 times of the follower in the 2nd rank.

During the year under review, we opened 5 new retail outlets in strategic locations at Metro Plaza, Carnarvon Plaza, Olympian City, Sau Mau Ping and Yau Oi. We conducted in-depth research to confirm high customer traffic. Our network was covered by a total of 48 outlets in Hong Kong at year end. We also opened our first retail outlet in Guangzhou in September, marking our first venture outside of the Hong Kong territory.

We continued to develop and operate our business according to the five key weapons for the retail world: brand power, product mix, logistic strength, customer service and shopping environment.

Chairman's Letter

Mapping our strategy

To cope with the increasingly challenging environment, we continued to engage independent market research agencies to conduct market studies to enhance our appreciation of changing customer needs and expectations in order to review and refine our market positioning and strategy. Ongoing "Mystery Shopper" Surveys at our stores conducted by these agencies helped us monitor and gauge customers' shopping experience and our customer service.

Strengthening our brand power

Despite concerns with the state of our economy, consumers continued to raise their expectations and their standard of living. During 2002, we focused on repositioning Pricerite's brand positioning among value-seeking consumers.

Pricerite is one of the most well-known and leading retailer chain stores in areas of home furnishings and household products in Hong Kong. During the year, we continued our efforts to build Pricerite into the most preferred brand in the furnishing and household categories in the Greater China Region.

In order to safeguard our operating margins and to maintain our pursuit of brand leadership, we invested substantial efforts and resources to realign Pricerite from its previous "price-driven" positioning into a "value-driven" brand.

To overcome the difficulties imposed by the harsh business environment, we further integrated our brand building efforts with enhancements in our shopping environments and our merchandise.

Enriching our product mix

During the year, we continued to build our ability to deliver value, quality and lifestyle solutions to our customers. We formed a new dedicated Product Planning Team. Staffed by well experienced and qualified professionals, this team began our drive to enhance our merchandise through strategic product sourcing.

We continued to increase our level of global direct sourcing to further reduce our middleman's cost in the supply chain.

We launched a product mix improvement programme together with new store categorisation for our Furniture Department. Our broader furniture range can now be clearly demarcated for those consumers seeking modern and contemporary design or the more traditional designs.

We further enhanced our house-brand items that enjoyed tremendous consumer goodwill. We increased the breadth of the range as well as redesigned the packaging to better leverage on our increasing brand value.

Chairman's Letter

We continued to expand our product ranges to seek out vacant niches and to fulfil customers' needs. In the household product category, we introduced the SOHO series (Small Office, Home Office) of stylish products to tap the increasing trend for small and medium sized enterprises and home offices. Along with the overall revamping of our furniture range, we further introduced our Kids series of children furniture.

Building our logistic strength

We maintained our logistic enhancement programme during the year with improvements in our electronic stock replenishment system maintaining supplier fulfilment rate maintained at a high level of 95.0%, an improvement of 0.8% over the previous year.

We further introduced morning fills to complement existing night fills to ensure that our network was well stocked. We also reviewed our partnership with our logistic distribution agency and a new agreement was signed to further enhance distribution efficiency and cost control.

Enhancing our customer service

To improve customer service and to enhance our team spirit, a leading training consultancy firm was invited to conduct a tailor made "Service with Hearts" company-wide training programme. A total of 600 frontline staff attended with additional "Train-the-Trainers" Workshop conducted to improve training skill of our supervisory staff.

A further Top Management Alignment Workshop was conducted for our executive team to ensure that our management team share the mission of the Group. An additional Winning Team Seminar was delivered to our back-office staff to enhance team spirit.

To supplement the training from the professional consultancy, our in-house training team conducted further hard skills workshops to our frontline staff during the year including: professional service standards, complaints and rejections handling, professional selling and social style selling. All workshops were reinforced with additional field coaching in stores.

To encourage our staff to further enhance our customer service, a series of incentive and goal setting programmes were organised. These included the outstanding store of the month and customer service goal for the month. External and internal mystery shoppers were arranged to give rating. A further best service staff award was launched to provide recognition and encouragement to outstanding service frontline staff.

In addition, we increased our frontline staff positions to include trained product demonstrators to enhance DIY product knowledge of customers.

We also created Customer Service Centre to provide priority handling and follow up on customer requests and feedbacks.

Chairman's Letter

We completed our specification and planning for our CRM programme to increase customer loyalty. We aim to launch the programme in 2003.

A review and planning for a major site enhancement for our e-shop was completed. The enhanced site will be launched during the first quarter of 2003. We planned to introduce our CRM programme via our e-shop ahead of our offline retailing operation. This CRM programme will be introduced at store level soon after we have gathered consumer feedbacks and systems fine-tuning.

We have also extended our customer base to corporate clientele to leverage on our merchandising ability and our buying power. A dedicated team of senior staff was put in charge of the development of this B2B programme.

Improving our shopping environment

During 2002, our Visual Merchandising Team continued to upgrade our store environment. Room setting was introduced to display our furniture products to provide additional ideas and inspirations to customers. We began our development of a model shop to provide a standardisation platform for product displays for our network.

Our new store design concept was implemented in our 5 new stores. Feedback on the contemporary design with the use of plasma, digital display pillar, special lighting and colour-mix were encouraging.

Pricerite China

We opened our first store in the Mainland with the opening of our Guangzhou store in September 2002. With the different consumer demographics, we utilised this opportunity to enlarge our overall product mix. To better position ourselves for the broad demographic profiles and significantly different consumer requirements, a new Chinese brand name was created together with new store layout and designs developed specifically for the Mainland market.

TECHNOLOGY SOLUTIONS – HALO GROUP

The lack of development funds in the market resulted in us taking a cautious view for the Halo Group. During the year, we pursued three major business streams: web services, bespoke solutions development and IT solutions consultancy. Our web services remain the most successful, and were able to retain blue chip corporate clients for development work on their websites.

OPTICAL FIBRE MANUFACTURING – TRANSTECH GROUP

Our development work for the Transtech Group was completed on schedule and within budget. By mid-year, we were able to successfully produce the preform production as well as the fibre drawing technology we set out to develop and were able to produce preform utilising MCVD technology as well as the single mode optical fibres (G652).

Chairman's Letter

However, due to the global telecommunications industry shakeout, established manufacturers initiated dumping strategies to stay afloat. Single mode optical fibre prices declined from the historic high in 2001 of over US$40 per km to around US$10 which would be below our operating cost. At this level of pricing, the Transtech operation would draw much capital to fund its operation and would have become a major cash drain on our Group's financial position.

Thus, after serious deliberations, the Board decided to put our manufacturing operation into hiatus, until such date that the supply and demand in the global market place normalise. We stress that we remain committed to our optical fibre investment. This is merely a prudent and necessary slowdown in the development timeline of Transtech.

THE FUTURE

We are currently weathering a global recession. It is imprudent for any of our Directors to assume speedy recovery in any particular sectors.

For CFSG, with Hong Kong being an international financial centre, is suffering from a similar crisis of confidence as in markets elsewhere. In particular, with our close link to the US market, we are certain that the financial services industry here will be hard hit. We do not anticipate any significant improvement in our business environment in the foreseeable future. As such, we hold little expectation, if any, for improvements in our revenue picture for the first half of 2003.

Nonetheless, we remain positive over the longer term, and are confident that the rationalisation being or already put in place, would lay us on a cost and resource base that will enable us to ride out the current market doldrums.

As the landscape of the securities industry alters, catalysed by recent regulatory and market changes, apart from maintaining a highly robust and cost-effective operational structure, it is also important that we seek to revamp our business model so as to achieve the agility that is essential for business to prevail in the currently austere market environment. As such, among other rationalisation moves, we have begun to significantly consolidate our branch network, which we believe would be of diminishing value in terms of revenue generation going forward. In fact, we believe that a compact network would put us in a much better position to focus our resources to service our most valued high net worth clients with personalised professional service, improving incoming generation efficiency.

While we seek to become leaner, we will also continue with our strategy of diversifying revenue sources to reduce our reliance on the securities business income stream. Since embarking on the strategy a few years back, we have now achieved a core revenue mix that encompasses, on top of securities broking, commodities broking and investment banking related incomes. As the latter two revenues become increasingly significant, moderating the impact on our business from the currently sluggish market turnover in securities trading, we are continuing to broaden our core competence within the financial services domain with a view to add on to our revenue mix incomes of a higher profit margin and of a more "anti-cyclical" nature.

Chairman's Letter

For Pricerite, the future will be a challenge for delivering and retaining value as price becomes the key denominator in the retail formula. We will continue to increase our competitiveness in the challenging market place through improvements in our five key weapons.

We will review network strategy with greater considerations on demographic, household income, rental trend, customer traffic and store distribution factors. We aim to consolidate our network to bring greater focus on enhancement of store efficiency and sales per footage.

We will continue to upgrade our store environment and shopping experience through improving product signage, POP, merchandise display, display equipment and re-design of store layout. We plan to renovate selected major stores to provide more enjoyable store environment to customers. We may consider closing some of the stores with less traffic or overlapped location coverage and aim to roll out our new brand image implemented in 2002 in our new store across the entire network during the course of 2003 and onwards.

Pricerite China will be a main focus for development as it remains the principle area with potential for significant growth. Moving forward, Pricerite will focus on testing out new ideas as well as fine tuning its retail model be it the merchandise, promotion strategies as well as shopping environment. Its intention is to arrive at an appropriate model using its Guangzhou store during next year before rolling out to other major centres.

For Halo and Transtech, while the business sectors will remain difficult, we are confident that the operation now as at a level where we will not be suffering from any significant cash drain. We will continue to monitor market demands closely and will leverage on the existing infrastructure to move forward rapidly when demand returns.

Yours sincerely,

Bankee P Kwan
Chairman & CEO

Financial Review

For the year ended 31 December 2002, our Group recorded a 12.7% increase in turnover to HK$1,097.0 million as compared with the prior year. This was mainly attributable to the consolidation of the whole year results of Pricerite which was acquired in March 2001.

Even though we reported an increase in turnover over prior year, deteriorating economic conditions in Hong Kong hit our Group severely as most of our Group's revenue was derived from the territory. Our Financial Services Group providing diversified financial services to its clients recorded a decrease of 12.1% in revenue as the local securities market had been worst hit by the prolonged recession and the unfavorable investment environment. Deterioration of employment market, deflationary pressure, sluggish property market together with the weak demand in local consumer market had seriously impacted the Group's retail business for the whole year. Cut-throat pricing reduction prevailing in the retail market amid the economic downturn had exerted great pressure on our retail prices, further squeezing the already thin gross margins of our retail goods. Forced dumping the optical fibre at deep discounts by the international giant players as a result of the rapid deterioration in the global telecommunication business environment had caused the selling prices of the fibre products in the market to fall below the production costs. The Group's optical fibre joint venture had inevitably suffered from the unexpectedly hard times in the telecommunication industry. The plant completed trial runs in the first half of the year but the productions came to a halt in the second half in the light of the dire business environment. These, together with one-off provision for all technology investments, including our interest in the optical fibre plant, and elimination of the goodwill for previously acquired businesses, held in hand, led to a net loss attributable to shareholders of HK$440.6 million for 2002. After the provision, our Group's investment in Internet-related business had been fully provided.

Our Group's total shareholders' equity amounted to HK$375.8 million on 31 December 2002 as compared to HK$902.6 million at the end of prior year. The decrease was attributable to the net loss reported for the year and the share repurchases made during the year.

On 31 December 2002, our cash and bank balances totaled HK$569.6 million, representing a reduction of HK$192.1 million as compared with the prior year. The reduction was primarily a result of the loss incurred during the year by the Group and start-up investment of retailing business in China. On 31 December 2002, the Group's listed investment securities were valued at HK$52.5 million. With a decline in the investment sentiment, the Group recorded a loss on the listed investment of HK$5.6 million. The future performance of the listed securities investment is still clouded by the growing deficit, the recent tax rises across all sectors and rising unemployment. However, the liquidity ratio remained healthy at 1.2 times on 31 December 2002 as compared to 1.5 times on 31 December 2001. Despite the economic ordeal in 2002, our Group remained financially sound.

Financial Review

Our total bank borrowings increased to HK$205.5 million on 31 December 2002 from HK$155.6 million on 31 December 2001. This increase in bank borrowings was one of the effects brought into being when we adjusted our merchandising strategy to extend our sourcing origin to Eastern China. During the year, the ratio of the total bank borrowings to shareholders' equity reached 54.7% on 31 December 2002 from 17.2% on 31 December 2001. We are confident that the gearing was maintained at a prudent level, especially when the majority of our borrowings were used to finance the margin trading clients of CFSG while the inventory turn of Pricerite was in line with other Hong Kong retailers. We were therefore able to comfortably set-off client borrowings against our bank financing together with a net interest margin earned from our margin book. As such, we were not exposed to material interest rate risk during 2002.

As both our borrowings and operating revenue were mainly in Hong Kong dollar, our exposure to foreign currency mismatch during the year was limited. However, we entered into US$/HK$ forward contract to address the increasing concern from market on the peg rate triggered by the Budget Deficit. Together with the currency future entered for hedging Yen exposure, the aggregate contractual value amounted to HK$26.1 million at the end of 2002.

On 31 December 2002, the following assets were pledged to secure general banking facilities granted to two subsidiaries and an associate:

(1) leasehold properties at their carrying value of approximately HK$44.8 million;

(2) cash and bank balances of approximately HK$26.9 million; and

(3) listed investment securities valued at HK$129.3 million.

At the end of the year, our Group had contingent liabilities amounted to approximately HK$17.8 million, which included a guarantee given to a bank for general banking facilities granted to an associate.

In December 2002, our Group entered the provisional sales and purchase agreement to dispose the leasehold properties at the consideration of HK$15 million. The disposal transaction was subsequently completed in March 2003. Other than that, we do not have any future plans for material investments or capital assets during the year.

Employee Information

At 31 December 2002, the Group had 1,185 employees, of which 176 were at CFSG and 946 at Pricerite Group. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. We continue to organise training to employees in areas such as mandatory professional development programmes required by regulatory bodies, computer application, product knowledge, customer services, selling techniques, problem solving, Putonghua training, time management, train-the-trainer and coaching, etc.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman & CEO, 43, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Board on 9 March 1998. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group, he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, a trustee of New Asia College of The Chinese University of Hong Kong, and an honorary member of the Board of Trustees of Nanjing University, PRC. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC, an advisory professor of Nanjing University, PRC, and an honorary university fellow of The Open University of Hong Kong. Mr Kwan is also a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan is also the substantial shareholder of the Company and the chairman of CFSG and Pricerite.

Bernard Ping-wah LAW

CFO, 44, MBA, FCCA, FHKSA, MHKSI

Mr Bernard Law joined the Board on 9 March 1998. Mr Law has extensive experience in financial management and accountancy. Before joining the Group, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also the CFO of CFSG and Pricerite.

Bob Yau-ching CHAN

Executive Director, 40, PhD, MBA, BBA, CFA, MHKSI

Dr Bob Chan joined the Group on 1 September 2000 and was appointed to the Board on 1 August 2002. Dr Chan has extensive experience in corporate development and financial management of high-growth companies. Before joining the Group, he was a finance professor and an active researcher and consultant. He served as a consultant for the United Nations, Asian Development Bank, Pacific Economic Cooperation Committee and numerous local and international financial institutions.

Joan Elmond Oi-kuen KWOK

Executive Director, 34, MBA, BA, ACIS

Ms Joan Kwok joined the Group on 20 March 1998 and was appointed to the Board on 3 October 2000. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group, she served as the company secretary of several Hong Kong listed companies and held senior executive positions in the fields of corporate development and general management. Ms Kwok is also the Company Secretary of the Company and an executive director and the company secretary of CFSG and Pricerite.

Directors' Profile

Eugene Ka-kin LAW

Executive Director, 42, BA, MHKSI

Mr Eugene Law joined the Group on 17 December 1998 and was appointed to the Board on 12 June 2000. Mr Law has extensive experience in stockbroking, financial research, investment advisory, strategic planning and business management. Before joining the Group, he held senior management positions in a number of regional stockbroking firms. Mr Law is also the deputy chairman of CFSG.

Thomas Yuen-cheuk LI

Executive Director, 41, MBA, BBA, MHKSI

Mr Thomas Li joined the Board on 6 May 1998. Mr Li has extensive experience in marketing and general management. Before joining the Group, he held senior executive positions of several leading international banks in Hong Kong and was responsible for business and marketing development, and corporate management. He is an executive committee member of the Hong Kong Retail Management Association. Mr Li is also the Managing Director (PRC operation) of Pricerite.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chuk-yan WONG

Independent Non-executive Director, 41, MSc(BA), BBA, CFA, CGA

Mr Wong joined the Independent Board on 3 June 1998. Mr Wong has extensive financial experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region.

Hak-sin CHAN

Independent Non-executive Director, 41, PhD, MBA, BBA

Dr Chan joined the Independent Board on 25 October 2000. Dr Chan has extensive experience in the academia in the USA as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. Dr Chan is also a member of the Audit Committee of the Company.

Johnny Ka-kui LEUNG

Independent Non-executive Director, 45, LL.B

Mr Johnny Leung joined the Independent Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung is also a member of the Audit Committee of the Company.

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) financial services provided via CFSG including online and traditional brokerage and trading of securities, futures, commodities and options, margin financing and corporate finance, (b) retailing of furniture and household items provided via Pricerite, (c) technology development projects, and (d) other investment holding.

RESULTS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 30 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2002 is set out on pages 93 to 94 of this Annual Report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Company and the Group are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year are set out in note 29 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

As at 31 December 2002, the reserves of the Company available for distribution to shareholders were approximately HK$77,517,000 and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$266,810,000.

Directors' Report

CHARITABLE DONATIONS

The Company had made charitable donations of HK$2,563,000 for the year ended 31 December 2002.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases for the year attributable to the Group's largest suppliers are as follows:

Purchases	– the largest supplier	12%
	– five largest suppliers	33%

The Group had no major customer due to the nature of principal activities of the Group.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors) owns more than 5% of the Company's share capital had an interest in the major suppliers above.

DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee	
Law Ping Wah Bernard	
Chan Yau Ching Bob	(appointed on 1 August 2002)
Kwok Oi Kuen Joan Elmond	
Law Ka Kin Eugene	
Li Yuen Cheuk Thomas	
Khoo Ken Wee	(resigned on 18 June 2002)

Independent Non-executive Directors:

Wong Chuk Yan
Chan Hak Sin
Leung Ka Kui Johnny

In accordance with Bye-law 86(2) of the Company's Bye-laws, Dr Chan Yau Ching Bob shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr Law Ka Kin Eugene and Mr Wong Chuk Yan shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 38 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, the Directors' interests in and rights to subscribe for the ordinary shares of HK$0.10 each in the Company and shares in its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Interest in shares or debentures

A. The Company

Ordinary shares

Name	Number of shares beneficially held Personal	Family	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	–	–	156,952,376*	51.38
Law Ping Wah Bernard	5,096,200	–	–	1.67
Chan Yau Ching Bob	70,500	200,200	–	0.09
Kwok Oi Kuen Joan Elmond	2,700,000	–	–	0.88
Law Ka Kin Eugene	125,000	–	–	0.04
Li Yuen Cheuk Thomas	2,501,875	–	–	0.82

* The shares were held by Cash Guardian Limited ("Cash Guardian"). Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

Directors' Report

B. Associated corporations (within the meaning of SDI Ordinance)

(a) Ordinary shares in CFSG

Name	Number of shares beneficially held Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	50,463,239*	50.08

* The shares were held by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Ordinary shares in Pricerite

Name	Number of shares beneficially held Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	1,419,432,297*	68.35

* The shares were held by CIGL and its subsidiaries. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

Save as disclosed above, as at 31 December 2002, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. Rights to acquire shares or debentures

A. Rights to acquire shares in the Company

Pursuant to the share option schemes of the Company, the Directors may, at their discretion, invite participants to take up options at a total consideration of HK$1 to subscribe for ordinary shares in the Company. Further details of the share option schemes of the Company are set out in note 37(A) to the financial statements.

Directors' Report

Details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted to certain Directors were as follows:

		Number of options							
Name	Date of grant	outstanding as at 1 January 2002	adjusted on 25 April 2002 (Note 1)	granted during the year (Notes 4 & 7)	lapsed during the year (Note 5)	outstanding as at 31 December 2002	Exercise period	Exercise price per share (HK$)	Notes
Kwan Pak Hoo Bankee	4/10/1999	40,000,000	–	–	(40,000,000)	–	8/4/2000 – 7/4/2002	0.59	(9)
	2/5/2002	–	–	3,000,000	–	3,000,000	2/5/2002 – 30/4/2003	1.32	(9)
Law Ping Wah Bernard	4/10/1999	40,000,000	–	–	(40,000,000)	–	8/4/2000 – 7/4/2002	0.59	
	2/5/2002	–	–	3,000,000	–	3,000,000	2/5/2002 – 30/4/2003	1.32	
Chan Yau Ching Bob	6/11/2000	5,000,000	(4,750,000)	–	–	250,000	16/5/2001 – 15/5/2003	5.40	(3)&(8)
	31/8/2001	30,000,000	(28,500,000)	–	–	1,500,000	1/3/2002 – 28/2/2004	2.60	(3)&(8)
	2/5/2002	–	–	1,500,000	–	1,500,000	2/5/2002 – 30/4/2003	1.32	(8)
Kwok Oi Kuen Joan Elmond	4/10/1999	5,750,000	–	–	(5,750,000)	–	8/4/2000 – 7/4/2002	0.59	(2)
	6/11/2000	15,000,000	(14,250,000)	–	–	750,000	16/5/2001 – 15/5/2003	5.40	(3)
	2/5/2002	–	–	3,000,000	–	3,000,000	2/5/2002 – 30/4/2003	1.32	
Law Ka Kin Eugene	4/10/1999	3,000,000	–	–	(3,000,000)	–	8/4/2000 – 7/4/2002	0.59	(2)
	1/6/2000	10,000,000	(9,500,000)	–	(500,000)	–	1/12/2000 – 30/11/2002	7.00	(3)
	6/11/2000	10,000,000	(9,500,000)	–	–	500,000	16/5/2001 – 15/5/2003	5.40	(3)
	2/5/2002	–	–	3,000,000	–	3,000,000	2/5/2002 – 30/4/2003	1.32	
Li Yuen Cheuk Thomas	4/10/1999	20,000,000	–	–	(20,000,000)	–	8/4/2000 – 7/4/2002	0.59	
	2/5/2002	–	–	3,000,000	–	3,000,000	2/5/2002 – 30/4/2003	1.32	
Khoo Ken Wee	4/10/1999	20,000,000	–	–	(20,000,000)	–	8/4/2000 – 7/4/2002	0.59	(8)
Wong Chuk Yan	2/5/2002	–	–	200,000	–	200,000	1/11/2002 – 31/10/2003	1.32	(3)
Chan Hak Sin	2/5/2002	–	–	200,000	–	200,000	1/11/2002 – 31/10/2003	1.32	(3)
Leung Ka Kui Johnny	2/5/2002	–	–	200,000	–	200,000	1/11/2002 – 31/10/2003	1.32	(3)
		198,750,000	(66,500,000)	17,100,000	(129,250,000)	20,100,000			

Directors' Report

Notes:

(1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002.

(2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.

(3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

(4) The closing price of the share immediately before the date of grant of options was HK$1.32.

(5) The lapsed options were due to the expiry or cessation of employment of participants with the Group.

(6) No options were exercised or cancelled during the year.

(7) The fair value of the options granted by the Company to the Directors during the year totaled approximately HK$368,880. The assumptions in arriving the fair value of the options are disclosed in the section under the heading "Share Option Schemes" below.

(8) Mr Khoo Ken Wee resigned and Dr Chan Yau Ching Bob was appointed as a Director of the Company during the year.

(9) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

Directors' Report

B. Rights to acquire shares in CFSG

Pursuant to the share option schemes of CFSG, its directors may, at their discretion, invite participants to take up options at a total consideration of HK$1 to subscribe for ordinary shares in CFSG. Further details of the share option schemes of CFSG are set out in note 37(B) to the financial statements.

Details of movements in the share options to subscribe for shares of HK$0.10 each in CFSG granted to certain Directors of the Company were as follows:

		Number of options				
Name	Date of grant	outstanding as at 1 January 2002	adjusted on 25 April 2002 (Note 1)	outstanding as at 31 December 2002	Exercise period (Note 2)	Exercise price per share (HK$)
Law Ka Kin Eugene	26/3/2001	25,000,000	(23,750,000)	1,250,000	1/10/2001 – 30/9/2004	2.20
Law Ping Wah Bernard	26/3/2001	20,000,000	(19,000,000)	1,000,000	1/10/2001 – 30/9/2004	2.20
		45,000,000	(42,750,000)	2,250,000		

Notes:

(1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of CFSG for 20 shares into 1 share with effect from the close of business on 25 April 2002.

(2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

(3) No options were granted, exercised, lapsed or cancelled during the year.

Directors' Report

C. *Rights to acquire shares in Pricerite*

Pursuant to the share option schemes of Pricerite, its directors may, at their discretion, invite participants to take up options at a total consideration of HK$1 to subscribe for ordinary shares in Pricerite. Further details of the share option schemes of Pricerite are set out in note 37(C) to the financial statements.

Details of movements in the share options to subscribe for shares of HK$0.10 each in Pricerite granted to certain Directors of the Company were as follows:

		Number of options						
Name	Date of grant	outstanding as at 1 January 2002	granted during the year (Notes 1&4)	lapsed during the year (Note 2)	outstanding as at 31 December 2002	Exercise period	Exercise price per share (HK$)	Notes
Kwan Pak Hoo Bankee	12/6/2000	18,000,000	–	(18,000,000)	–	13/6/2000 – 12/6/2002	0.32	(6)
	17/1/2002	–	20,000,000	–	20,000,000	1/2/2002 – 31/1/2004	0.21	(6)
Law Ping Wah Bernard	12/6/2001	7,200,000	–	–	7,200,000	16/6/2001 – 15/6/2003	0.21	
	17/1/2002	–	13,000,000	–	13,000,000	1/2/2002 – 31/1/2004	0.21	
Kwok Oi Kuen Joan Elmond	17/1/2002	–	20,000,000	–	20,000,000	1/2/2002 – 31/1/2004	0.21	
Li Yuen Cheuk Thomas	12/6/2001	14,400,000	–	–	14,400,000	16/6/2001 – 15/6/2003	0.21	
	17/1/2002	–	6,000,000	–	6,000,000	1/2/2002 – 31/1/2004	0.21	
Khoo Ken Wee	12/6/2001	7,200,000	–	(7,200,000)	–	16/6/2001 – 15/6/2003	0.21	(5)
	17/1/2002	–	13,000,000	(13,000,000)	–	1/2/2002 – 31/1/2004	0.21	(5)
		46,800,000	72,000,000	(38,200,000)	80,600,000			

Notes:

(1) The closing price of the share immediately before the date of grant of options was HK$0.207.

(2) The lapsed options were due to expiry or cessation of employment of participants with the Group.

(3) No option was exercised or cancelled during the year.

(4) The fair value of the options granted by Pricerite to the Directors during the year totaled approximately HK$152,100. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

(i) an expected volatility of 0.061%;

Directors' Report

(ii) no annual dividends; and

(iii) the estimated expected life of the options granted during the year is 2 years. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.625%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

No charge is recognised in the income statement in respect of the value of options granted during the year.

(5) Mr Khoo Ken Wee resigned as a Director of the Company during the year.

(6) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

Save as disclosed above, at no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, or had exercised any such rights.

SHARE OPTION SCHEMES

The Company

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted under the share option schemes during the year are set out in note 37(A) to the financial statements.

As disclosed in note 37(A) to the financial statements, the Company had granted a total number of 22,100,000 options during the year. The fair value of the said options totaled approximately HK$491,840. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

(i) an expected volatility of 1.1%;

(ii) no annual dividends; and

Directors' Report

(iii) the estimated expected life of the options granted during the year is 2 years. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.625%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

No charge is recognised in the income statement in respect of the value of options granted during the year.

The subsidiaries

CFSG and Pricerite had also adopted their respective share option schemes. Particulars of the share option schemes of CFSG and Pricerite and details of movements in the share options to subscribe for shares of HK$0.10 each in CFSG and Pricerite granted under the share option schemes during the year are set out in notes 37(B) and 37(C) respectively to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Shareholding %
Kwan Pak Hoo Bankee (Note)	156,952,376	51.38
Jeffnet Inc (Note)	156,952,376	51.38
Cash Guardian	156,952,376	51.38

Note: This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc ("Jeffnet")). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to the SDI Ordinance, Mr Kwan and Jeffnet were deemed to be interested in the shares held by Cash Guardian.

Save as disclosed above, at 31 December 2002, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2002, the Company repurchased certain of its own shares through the Stock Exchange, details of which are set out in note 29(c) to the financial statements. The Directors considered that the repurchase would enhance the net value per share in the Company.

Save as disclosed in note 29(c) to the financial statements, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this Annual Report save for the Independent Non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 28 June 1999 and was as at 31 December 2002 comprising Dr Chan Hak Sin and Mr Leung Ka Kui Johnny, both being Independent Non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year, the Audit Committee had held two meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board.

AUDITORS

The financial statements of the Company for the year was audited by Messrs Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 21 March 2003

Auditors' Report

TO THE SHAREHOLDERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 30 to 92 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 21 March 2003

Consolidated Income Statement

For the year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Turnover	4	1,097,028	973,560
Other revenue	6	–	2,351
Changes in inventories of finished goods		(572,018)	(467,741)
Salaries, allowances and commission	7	(236,810)	(239,791)
Loss on discontinued operations	8	–	(43,659)
Other operating, administrative and selling expenses		(380,168)	(329,076)
Depreciation and amortisation		(61,834)	(54,725)
Finance costs	9	(5,162)	(10,735)
Allowance for bad and doubtful debts		(95,687)	(44,918)
Impairment loss recognised in respect of club membership	21	(1,330)	–
Impairment loss recognised in respect of goodwill	19	(27,209)	–
Impairment loss recognised in respect of investments	18	(57,000)	(228,900)
Impairment loss recognised in respect of property and equipment	15	(64,153)	(7,527)
		(404,343)	(451,161)
Gain on expiry of warrants		59,573	–
Allowance for loan to an associate		(219,828)	–
Loss on disposal of an associate		–	(25,457)
Share of losses of associates		–	(4,758)
Loss before taxation	12	(564,598)	(481,376)
Taxation credit	13	1,779	152
Loss before minority interests		(562,819)	(481,224)
Minority interests		122,236	27,188
Net loss attributable to shareholders		(440,583)	(454,036)
Loss per share	14		
– Basic		HK$ (1.4)	HK$ (1.4)
– Diluted		HK$ (1.4)	HK$ (1.4)

Consolidated Balance Sheet

At 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Non-current assets			
Property and equipment	15	**190,301**	236,453
Interests in associates	17	**–**	164,466
Investments	18	**–**	57,000
Goodwill	19	**55,260**	88,604
Intangible assets	20	**12,752**	14,582
Other assets	21	**31,191**	54,067
Loans receivable	22	**2,217**	42,646
		291,721	657,818
Current assets			
Inventories	23	**65,391**	53,983
Accounts receivable	24	**172,591**	290,872
Loans receivable	22	**1,200**	24,470
Prepayments, deposits and other receivables		**77,271**	89,619
Investments	18	**52,534**	33,502
Taxation recoverable		**6**	173
Pledged bank deposits	25	**26,890**	43,745
Bank balances – trust and segregated accounts		**285,020**	362,634
Bank balances (general) and cash		**257,651**	355,320
		938,554	1,254,318
Current liabilities			
Accounts payable	26	**490,026**	548,046
Accrued liabilities and other payables		**84,515**	106,212
Taxation payable		**279**	2,071
Obligations under finance leases – amount due within one year	27	**681**	1,988
Bank borrowings	28	**205,542**	155,589
		781,043	813,906
Net current assets		**157,511**	440,412
		449,232	1,098,230

Consolidated Balance Sheet

At 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Capital and reserves			
Share capital	29	**30,548**	639,435
Reserves	30	**345,257**	263,136
		375,805	902,571
Minority interests		**72,674**	194,910
Non-current liabilities			
Obligations under finance leases – amount due after one year	27	**753**	749
		449,232	1,098,230

The financial statements on pages 30 to 92 were approved and authorised for issue by the board of Directors on 21 March 2003 and are signed on its behalf by:

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

Balance Sheet

At 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Non-current assets			
Property and equipment	15	2,619	5,750
Investments in subsidiaries	16	–	–
		2,619	5,750
Current assets			
Prepayments, deposits and other receivables		2,214	2,623
Amounts due from subsidiaries		370,316	895,578
Bank balances and cash		66	277
		372,596	898,478
Current liabilities			
Accrued liabilities and other payables		340	340
Taxation		–	1,793
		340	2,133
Net current assets		372,256	896,345
		374,875	902,095
Capital and reserves			
Share capital	29	30,548	639,435
Reserves	30	344,327	262,660
		374,875	902,095

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2002

	HK$'000
At 1 January 2001	1,193,240
Shares issued for acquisition of Pricerite Group Limited ("Pricerite") and its subsidiaries	152,345
Share issue expenses	(816)
Repurchase of shares	(6,670)
Goodwill reversed on disposal of an associate	18,508
Net loss for the year	(454,036)
At 31 December 2001 and at 1 January 2002	902,571
Issue of shares due to exercise of warrants	109
Repurchase of shares	(26,719)
Gain on expiry of warrants recognised in the income statement	(59,573)
Net loss for the year	(440,583)
At 31 December 2002	375,805

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002 HK$'000	2001 HK$'000 (restated)
Operating activities		
Loss before taxation	(564,598)	(481,376)
Adjustments for:		
Advertising and tele-communication service expenses	5,746	–
Allowance for bad and doubtful debts	95,687	44,918
Allowance for inventory obsolescence and write-off of inventories	4,990	6,795
Allowance for loan to an associate	219,828	–
Amortisation of intangible assets	1,830	1,830
Amortisation of goodwill	6,135	2,997
Depreciation and amortisation of property and equipment	53,869	49,898
Gain on expiry of warrant	(59,573)	–
Impairment loss recognised in respect of club membership	1,330	–
Impairment loss recognised in respect of goodwill	27,209	–
Impairment loss recognised in respect of investments	57,000	228,900
Impairment loss recognised in respect of property and equipment	64,153	7,527
Interest expenses	5,162	10,735
Loss on disposal of property and equipment	6,081	20,143
Gain on deemed disposal of interests in Pricerite and its subsidiaries	–	(2,351)
Loss on disposal of an associate	–	25,457
Loss on disposal of subsidiaries	–	1,023
Share of losses of associates	–	4,758
Unrealised loss on other investments	–	5,986
Operating cash outflows before movements in working capital	(75,151)	(72,760)
Increase in inventories	(16,398)	(8,141)
Decrease in accounts receivable	72,514	22,120
Decrease in loans receivable	13,779	7,856
Decrease (Increase) in prepayments, deposits and other receivables	24,208	(19,261)
(Increase) Decrease in investments	(19,032)	8,978
Decrease (Increase) in bank balances – trust and segregated accounts	77,614	(68,178)
(Decrease) Increase in accounts payable	(58,020)	65,538
Decrease in accrued liabilities and other payables	(21,707)	(18,998)
Cash used in operations	(2,193)	(82,846)
Hong Kong Profits Tax refunded	166	1,699
Hong Kong Profits Tax paid	(12)	–
Interest paid	(5,162)	(10,426)
Net cash used in operating activities	(7,201)	(91,573)

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Notes	2002 HK$'000	2001 HK$'000
Investing activities			
Proceeds from disposal of property and equipment		**22,333**	–
Statutory and other deposits refunded		**4,100**	–
Purchase of property and equipment		**(58,593)**	(50,818)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	31	**(40,600)**	(27,215)
Loan to an associate		**(55,362)**	(118,818)
Purchase of investments		**–**	(76,872)
Purchase of club memberships		**–**	(710)
Increase in statutory and other deposits		**–**	(1,900)
Proceeds from disposal of an associate		**–**	3,800
Proceeds from deemed disposal of investments in subsidiaries		**–**	84,836
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	32	**–**	19,600
Net cash used in investing activities		**(128,122)**	(168,097)
Financing activities			
Increase in trust receipt loans		**34,197**	18,341
Decrease (Increase) in pledged bank deposits		**16,855**	(7,108)
(Decrease) Increase in bank loans		**(51,100)**	42,000
Increase (Decrease) in bank overdrafts		**66,856**	(26,114)
Repayments of obligations under finance leases		**(2,544)**	(2,256)
Issue of shares		**109**	–
Repurchase of shares		**(26,719)**	(6,670)
Share issue expenses		**–**	(816)
Interest paid on obligations under finance leases		**–**	(309)
Net cash from financing		**37,654**	17,068
Net decrease in cash and cash equivalents		**(97,669)**	(242,602)
Cash and cash equivalents at beginning of year		**355,320**	597,922
Cash and cash equivalents at end of year		**257,651**	355,320

Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002 HK$'000	2001 HK$'000
Analysis of balances of cash and cash equivalents		
Cash and cash equivalent as previously reported		199,731
Effect of reclassification of trust receipt loans		18,341
Effect of reclassification of bank loans		127,000
Effect of reclassification of bank overdrafts		10,248
Cash and cash equivalent as restated		355,320
Being:		
Bank balances and cash	**542,671**	717,954
Less: Bank balances – trust and segregated accounts	**(285,020)**	(362,634)
	257,651	355,320

Notes to the Financial Statements

For the year ended 31 December 2002

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Stock Exchange. Its ultimate holding company is Cash Guardian, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 16.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in changes in the format of presentations of cash flow statement and the statement of changes in equity, and in the adoption of the following new and revised accounting policies but has had no effect on the results for the current or prior accounting years.

Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Discontinuing operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Polices". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. Details of the Group's discontinued operations in previous year are disclosed at note 8.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefits plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Property and equipment

Property and equipment are stated at cost less depreciation and amortisation, and accumulated impairment losses, if any.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation and amortisation are provided to write off the cost of items of property and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold land and buildings	over the lease terms
Leasehold improvements	the shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets (continued)

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Investments

Investments are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Intangible assets

Intangible assets are included in the balance sheet at cost and amortised on a straight-line basis over their estimated useful lives.

Club memberships

Club memberships are stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Fees and commission income are recognised on a trade date basis when the services are rendered.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Realised profits and losses arising from trading of financial products are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the financial products. Open contracts/positions are valued at market rate with unrealised profits and losses included in the income statement.

Information technology advisory income is recognised when the services are rendered.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's reserves. Such translation differences are recognised as an income or as an expense in the period in which the operation is disposed of.

Retirement benefits costs

Payments to the Group's retirement benefits schemes are charged as an expense as they fall due.

Notes to the Financial Statements

For the year ended 31 December 2002

4. TURNOVER

	The Group	
	2002	2001
	HK$'000	HK$'000
Sales of furniture and household goods, net of discounts and returns	**889,918**	748,633
Fees and commission income	**182,810**	200,973
Interest income	**28,039**	52,936
Loss on trading of securities, options and futures	**(5,600)**	(30,502)
Information technology advisory income in Hong Kong	**1,861**	1,520
	1,097,028	973,560

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, retailing, information technology and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Financial services	Broking, financing, proprietary trading and corporate finance services
Retailing	Sales of furniture and household goods
Information technology	Providing information technology advisory services
Investment holding	Strategic investments

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2002

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000
Turnover	196,334	889,918	1,861	8,915	1,097,028
Segment loss	(106,573)	(96,856)	(5,869)	(135,206)	(344,504)
Unallocated corporate expenses					(59,839)
Loss from operating activities					(404,343)
Gain on the expiry of warrants					59,573
Allowance for loan to an associate					(219,828)
Loss before taxation					(564,598)
Taxation credit					1,779
Loss after taxation and before minority interests					(562,819)

Balance sheet as at 31 December 2002

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	636,050	514,962	1,312	3,282	1,155,606
Unallocated corporate assets					74,669
Consolidated total assets					1,230,275
LIABILITIES					
Segment liabilities	466,735	247,445	2,312	–	716,492
Unallocated corporate liabilities					65,304
Consolidated total liabilities					781,796

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2002

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions of property and equipment	9,717	48,942	147	40,000	1,478	100,284
Allowance for bad and doubtful debts	63,726	3,990	182	27,789	–	95,687
Depreciation and amortisation	24,210	34,116	46	–	3,462	61,834
Impairment losses recognised in income statement	–	38,734	–	107,000	3,958	149,692
Loss (Gain) on disposal of property and equipment	5,737	(591)	–	–	935	6,081

Income statement for the year ended 31 December 2001

	Continuing operations				Discontinued operations	
	Financial services HK$'000	Retailing HK$'000	Information technology business in Hong Kong HK$'000	Investment holding HK$'000	Information technology business in the United States of America HK$'000	Consolidated HK$'000
Turnover	223,407	748,633	1,520	–	–	973,560
Segment (loss) profit	(136,914)	14,616	(3,846)	(228,919)	(43,659)	(398,722)
Unallocated corporate expenses						(54,790)
Gain on deemed disposal of investments in subsidiaries						2,351
Loss from operating activities						(451,161)
Loss from associates						(30,215)
Loss before taxation						(481,376)
Taxation credit						152
Loss after taxation and before minority interests						(481,224)

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2001

	Continuing operations				
	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	932,359	545,750	6,344	397,611	1,882,064
Unallocated corporate assets					30,072
Consolidated total assets					1,912,136
LIABILITIES					
Segment liabilities	605,817	178,335	17,592	–	801,744
Unallocated corporate liabilities					12,911
Consolidated total liabilities					814,655

Other information for the year ended 31 December 2001

	Continuing operations					Discontinued operations	
	Financial services HK$'000	Retailing HK$'000	Information technology business in Hong Kong HK$'000	Investment holding HK$'000	Unallocated HK$'000	Information technology business in the United States of America HK$'000	Consolidated HK$'000
Additions of property and equipment	21,106	162,943	143	–	10,216	–	194,408
Allowance for bad and doubtful debts	43,561	–	–	1,357	–	–	44,918
Depreciation and amortisation	23,934	24,721	11	–	6,059	–	54,725
Impairment losses recognised in income statement	2,073	–	–	228,900	5,454	–	236,427
Loss on disposal of property and equipment	–	1,081	–	–	7,892	11,170	20,143

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's turnover and loss before taxation for both years are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

6. OTHER REVENUE

	The Group	
	2002	2001
	HK$'000	HK$'000
Gain on deemed disposal of interests in Pricerite and its subsidiaries	–	2,351

7. SALARIES, ALLOWANCES AND COMMISSION

	The Group	
	2002	2001
	HK$'000	HK$'000
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	**230,071**	230,514
Contributions to retirement benefits schemes	**6,739**	9,277
	236,810	239,791

8. LOSS ON DISCONTINUED OPERATIONS

In response to the rapid deterioration of the global information technology business environment, the Group commenced a restructuring plan during the year ended 31 December 2001 for its Technology Development Group ("TDG"). The plan included the downsizing and consolidating of some operations of TDG to preserve resources only on those technology projects with the most promising potentials. As part of the plan, the Group closed its information technology business in the United States of America in July 2001.

Notes to the Financial Statements

For the year ended 31 December 2002

8. LOSS ON DISCONTINUED OPERATIONS (continued)

The results of the discontinued operation for the period from 1 January 2001 to the date of discontinuance, which have been included in the consolidated financial statements, are as follows:

	The Group 2001 HK$'000
Turnover	–
Write-off of property and equipment	11,170
Redundancy costs	32,489
Loss before taxation	43,659
Taxation	–
	43,659

During the year ended 31 December 2001, TDG utilised approximately HK$32,489,000 to the Group's net operating cash flows.

9. FINANCE COSTS

	The Group	
	2002 **HK$'000**	2001 HK$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	**4,989**	10,426
Finance leases	**173**	309
	5,162	10,735

Notes to the Financial Statements

For the year ended 31 December 2002

10. DIRECTORS' REMUNERATION

	The Group	
	2002	2001
	HK$'000	HK$'000
Fees:		
Executive Directors	**–**	–
Independent Non-executive Directors	**–**	–
Other emoluments paid to Executive Directors:		
Salaries, allowances and other benefits	**7,247**	7,940
Contributions to retirement benefits schemes	**271**	284
Performance related incentive payment	**239**	3,449
Total remuneration	**7,757**	11,673

The remuneration of the Directors fell within the following bands:

	The Group	
	2002	2001
	Number of Directors	Number of Directors
Nil – HK$1,000,000	**6**	3
HK$1,000,001 – HK$1,500,000	**4**	–
HK$1,500,001 – HK$2,000,000	**–**	3
HK$2,000,001 – HK$2,500,000	**–**	3
	10	9

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 31 December 2002

11. EMPLOYEES' EMOLUMENTS

The five highest paid employees included two (2001: five) Directors of the Company, details of whose remuneration are included in note 10 above. The details of the remuneration of the remaining three (2001: nil) individual are as follows:

	The Group	
	2002	2001
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,998**	–
Contributions to retirement benefits schemes	**160**	–
Performance related incentive payment	**158**	–
	4,316	–

Their emoluments were within the following band:

	2002 Number of employees	2001 Number of employees
HK$1,000,001 to HK$1,500,000	**3**	–

Notes to the Financial Statements

For the year ended 31 December 2002

12. LOSS BEFORE TAXATION

	The Group	
	2002	2001
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Advertising and promotion expenses	51,119	36,949
Allowance for inventory obsolescence and write-off of inventories (included in the changes in inventories of finished goods)	4,990	6,795
Amortisation of intangible assets (included in depreciation and amortisation)	1,830	1,830
Amortisation of goodwill (included in depreciation and amortisation)	6,135	2,997
Auditors' remuneration	2,070	1,723
Compensation for early termination of tenancy agreements and investment project	7,004	–
Depreciation and amortisation of property and equipment:		
Owned assets	52,283	48,084
Leased assets	1,586	1,814
	53,869	49,898
Loss on disposal of property and equipment	6,081	20,143
Loss on disposal of subsidiaries	–	1,023
Operating lease rentals in respect of land and buildings		
Minimum lease payments	128,567	98,821
Contingent rents	5,179	9,906
	133,746	108,727
Net foreign exchange gain	(706)	(47)

13. TAXATION CREDIT

	The Group	
	2002	2001
	HK$'000	HK$'000
Hong Kong Profits Tax:		
Provision for the year	–	(200)
Overprovision in prior years	1,782	352
Underprovision in prior years	(3)	–
Taxation attributable to the Company and its subsidiaries	1,779	152

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2002 as the Company and its subsidiaries either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward.

Notes to the Financial Statements

For the year ended 31 December 2002

13. TAXATION CREDIT (continued)

Hong Kong Profits Tax was calculated at 16% on the Group's estimated assessable profits arising in Hong Kong for the year ended 31 December 2001.

Details of the Group's unprovided deferred taxation are set out in note 34.

14. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2002 together with the comparative figures for 2001 are calculated as follows:

	2002	2001
	HK$'000	HK$'000
Loss for the purpose of basic loss per share	**(440,583)**	(454,036)
Adjustment to the share of result of subsidiaries based on dilution of their earnings per share	**N/A**	(8)
Loss for the purpose of diluted loss per share	**(440,583)**	(454,044)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**311,921,618**	314,680,405

The calculation of diluted loss per share does not:

(i) adjust the share of result of subsidiaries as the subsidiaries incurred losses for the year; and

(ii) assume the exercise of the Company's outstanding share options and warrants as the exercise price of those options and warrants were higher than the average market price of shares for both years.

The weighted average number of ordinary shares for the year ended 31 December 2001 for the purpose of basic and diluted loss per share has been adjusted for the share consolidation which took effect on 26 April 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

15. PROPERTY AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2002	87,500	10,000	72,399	135,988	6,280	312,167
Additions	–	–	31,325	26,750	1,759	59,834
Acquired on acquisition of a subsidiary	–	–	–	40,000	450	40,450
Disposals	(17,500)	–	(5,634)	(17,466)	(2,659)	(43,259)
At 31 December 2002	70,000	10,000	98,090	185,272	5,830	369,192
ACCUMULATED DEPRECIATION AND AMORTISATION AND IMPAIRMENT						
At 1 January 2002	9,500	–	17,835	46,071	2,308	75,714
Provided for the year	2,233	–	20,526	29,736	1,374	53,869
Impairment loss recognised in the income statement	11,286	10,000	769	42,098	–	64,153
Eliminated on disposals	(1,877)	–	(1,995)	(9,080)	(1,893)	(14,845)
At 31 December 2002	21,142	10,000	37,135	108,825	1,789	178,891
NET BOOK VALUES						
At 31 December 2002	48,858	–	60,955	76,447	4,041	190,301
At 31 December 2001	78,000	10,000	54,564	89,917	3,972	236,453

During the year, the Group entered into a provisional sale and purchase agreement with a third party under which the Group agree to sell its long term leasehold land and buildings at a total consideration of approximately HK$15,000,000. This sale was completed in March 2003. After making due enquiry, the Directors were satisfied that the selling price of the long term leasehold land and buildings represented the market value as at 31 December 2002. Thus, an impairment loss of approximately HK$10,400,000 is recognised in the income statement.

Notes to the Financial Statements

For the year ended 31 December 2002

15. PROPERTY AND EQUIPMENT (continued)

The Directors have reassessed the recoverable amount of the medium-term leasehold land and buildings and recognised an impairment loss of approximately HK$886,000 which was determined with reference to the market price.

During the year, the Group entered into an agreement with a landlord pursuant to which several shops' tenancy agreements would be early terminated. The Directors have reassessed the recoverable amount of the assets amounting to approximately HK$2,867,000 in these shops and recognised an impairment loss of approximately HK$2,867,000.

Due to the cessation of the personal loan financing activity, the Directors have reassessed the recoverable amount of the assets of construction in progress amounting to approximately HK$10,000,000 for this activity and recognised an impairment loss of approximately HK$10,000,000 in the income statement.

During the year, the Group acquired a software of HK$40,000,000 through acquisition of a subsidiary for the purpose of a proposed project for the development of a smart community. However, the proposed project was aborted and the Directors recognised an impairment loss of HK$40,000,000 in the financial statements.

The leasehold land and buildings of the Group are situated in Hong Kong. The lease terms of the leasehold land and buildings are as follows:

	2002 **HK$'000**	2001 HK$'000
Long leases	**14,516**	25,400
Medium-term leases	**34,342**	52,600
	48,858	78,000

The leasehold land and buildings with a net book value of approximately HK$44,858,000 (2001: HK$71,000,000) held by the Group were pledged to secure general banking facilities granted to the Group.

The net book values of furniture, fixtures and equipment of HK$76,447,000 and motor vehicles of HK$4,041,000 include an amount of HK$227,000 (2001: HK$1,740,000) and HK$2,970,000 (2001: HK$2,764,000) respectively in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 December 2002

15. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1 January 2002 and at 31 December 2002	8,426	11,130	19,556
ACCUMULATED DEPRECIATION			
At 1 January 2002	4,280	9,526	13,806
Provided for the year	1,538	1,593	3,131
At 31 December 2002	5,818	11,119	16,937
NET BOOK VALUES			
At 31 December 2002	2,608	11	2,619
At 31 December 2001	4,146	1,604	5,750

16. INVESTMENTS IN SUBSIDIARIES

	The Company 2002 HK$'000	2001 HK$'000
Unlisted shares, at cost	**60,793**	60,793
Impairment loss recognised	**(60,793)**	(60,793)
	–	–

Notes to the Financial Statements

For the year ended 31 December 2002

16. INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place/ Country of incorporation	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Halo Solutions Limited	Hong Kong	Ordinary HK$2	100	Provision of information technology advisory services
CASH Financial Services Group Limited ("CFSG")	Bermuda	Ordinary HK$10,075,941	50.08	Investment holding
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	50.08	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	50.08	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$17,000,000	50.08	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	50.08	Futures and options broking and trading
Celestial Finance Limited	Hong Kong	Ordinary HK$30,000,002 Non-voting deferred * HK$10,000,000	50.08	Provision of share margin financing

Notes to the Financial Statements

For the year ended 31 December 2002

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place/ Country of incorporation	Paid up issued share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company %	Principal activities
Celestial (International) Securities & Investment Limited	Hong Kong	Ordinary HK$2 Non-voting deferred * HK$10,000,000	50.08	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$50,000,000	50.08	Securities and equity options broking and trading
Pricerite Group Limited	Bermuda	Ordinary HK$207,677,700	68.35	Investment holding
Pricerite Stores Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred ** HK$5,000,000	68.35	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	Ordinary HK$2	68.35	Retailing of furniture and household goods through a website
Cosmos Global Limited	Hong Kong	Ordinary HK$2	68.35	Wholesale and retailing of cosmetic and skin care products

Notes to the Financial Statements

For the year ended 31 December 2002

16. INVESTMENTS IN SUBSIDIARIES (continued)

* The rights and restrictions attaching to such non-voting deferred shares are summarised as follows:

(a) as regards voting, the non-voting deferred shares do not entitle the holders thereof to attend or vote at any general meeting of the relevant company;

(b) as regards income, the holders thereof are not entitled to any dividend unless the relevant company determines to distribute in respect of any financial year distributable profits in excess of HK$1 trillion to which the holders of the non-voting deferred shares are collectively entitled to one half of the said profits in excess of the said HK$1 trillion; and

(c) as regards capital, on a return of assets on winding-up or otherwise the assets of the company to be returned, the holders of such non-voting deferred shares are collectively entitled to one half of the surplus assets of the company in excess of HK$500 trillion.

** The rights and restrictions attaching to such non-voting deferred shares are summarised as follows:

(a) as regards voting, the non-voting deferred shares do not entitle the holders thereof to attend or vote at any general meeting of the relevant company;

(b) as regards dividends, the holders thereof are not entitled to any dividend unless the net profits of the relevant company available for dividend (as certified by its auditors) as earned in the year in respect of which a dividend is declared exceed HK$100 billion, in which case the holders of the non-voting deferred shares are collectively entitled to one thousandth of one per cent of the amount of the profits so available which exceed HK$100 billion; and

(c) as regards capital, on a return of assets or a winding-up, the holders of such non-voting deferred shares are entitled out of the surplus assets of the relevant company to a return of capital paid on such non-voting deferred shares held by then after a total of HK$1,000 billion has been distributed in such winding-up in respect of each of the issued ordinary shares in the relevant company.

The principal place of operation of the subsidiaries is Hong Kong. All the subsidiaries shown above are indirectly held by the Company.

Notes to the Financial Statements

For the year ended 31 December 2002

17. INTERESTS IN ASSOCIATES

	The Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	**–**	–
Loan to an associate	**219,828**	164,466
Allowance for loan to an associate	**(219,828)**	–
	–	164,466

The loan to an associate is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of Directors, the loan to the associate will not be recoverable and accordingly an allowance of approximately HK$219,828,000 has been made.

At 31 December 2002, the Group had interests in the following principal associates:

Name	**Place of incorporation**	**Form of business structure**	**Provision of nominal value of issued ordinary capital held by the Group** %	**Principal activities**
Transtech Services Group Limited	Hong Kong	Incorporated	46.25	Investment holding
Transtech Photonics Limited	Hong Kong	Incorporated	46.25	Producing of photonics products and system but had not yet commenced production during the year

Transtech Photonics Limited is a wholly-owned subsidiary of Transtech Services Group Limited.

The principal place of operation of these companies is Hong Kong.

The following details have been extracted from the consolidated management accounts of Transtech Services Group Limited.

Notes to the Financial Statements

For the year ended 31 December 2002

17. INTERESTS IN ASSOCIATES (continued)

	2002 HK$'000	2001 HK$'000
Non-current assets	**397,494**	327,506
Current assets	**4,483**	9,825
Non-current liabilities	**440,198**	328,932
Current liabilities	**15,165**	35,845
Net liabilities	**(53,386)**	(27,446)
Net loss for the year	**25,910**	28,449

18. INVESTMENTS

	The Group					
	Investment securities		Other investments		Total	
	2002 **HK'000**	2001 HK'000	**2002** **HK'000**	2001 HK'000	**2002** **HK'000**	2001 HK'000
Equity securities:						
Non-current						
Unlisted, at cost	**301,500**	301,500	**–**	–	**301,500**	301,500
Impairment loss recognised	**(301,500)**	(244,500)	**–**	–	**(301,500)**	(244,500)
	–	57,000	**–**	–	**–**	57,000
Current						
Listed in Hong Kong, at market value	**–**	–	**52,534**	33,502	**52,534**	33,502
	–	57,000	**52,534**	33,502	**52,534**	90,502

In response to the deterioration of the global information technology business environment during the year, the Group has assessed the recoverable amounts of its investment securities. The Directors, having taken into account the revenues generated from these companies, the prevailing uncertain and sluggish economic condition and the estimated future cash flows generated from these companies, recognised an impairment loss of approximately HK$57,000,000 (2001: HK$228,900,000) in respect of the investment securities.

Notes to the Financial Statements

For the year ended 31 December 2002

19. GOODWILL

	The Group HK$'000
COST	
At 1 January 2002 and at 31 December 2002	91,601
AMORTISATION	
At 1 January 2002	2,997
Charged for the year	6,135
Impairment loss recognised	27,209
At 31 December 2002	36,341
NET BOOK VALUES	
At 31 December 2002	55,260
At 31 December 2001	88,604

The amortisation period adopted for goodwill is from 10 to 20 years.

Due to cessation of the business of the subsidiaries principally engaging in retailing of discounted products and continuous losses incurred by those subsidiaries principally engaging in wholesale and retailing of cosmetic and skin care products, the Directors having taken into account the current economic condition and the changes in the business environment in the wholesale and retailing business, recognised an impairment loss of HK$27,209,000 in respect of goodwill arising from the acquisition of these subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2002

20. INTANGIBLE ASSETS

	The Group HK$'000
COST	
At 1 January 2002 and at 31 December 2002	18,235
AMORTISATION	
At 1 January 2002	3,653
Charged for the year	1,830
At 31 December 2002	5,483
NET BOOK VALUES	
At 31 December 2002	12,752
At 31 December 2001	14,582

Intangible assets represent trading rights in exchanges in Hong Kong and are amortised over 10 years.

21. OTHER ASSETS

	The Group	
	2002	2001
	HK$'000	HK$'000
Club memberships	**5,588**	5,588
Prepayment for advertising and tele-communication services	**21,554**	–
Statutory and other deposits	**5,379**	9,479
Deposits for long term investments/projects	**–**	39,000
	32,521	54,067
Impairment loss recognised in respect of club membership	**(1,330)**	–
	31,191	54,067

At the balance sheet date, the Directors reassessed the recoverable amount of the club membership and recognised an impairment loss of approximately HK$1,330,000 which was determined by reference to the market price.

Notes to the Financial Statements

For the year ended 31 December 2002

22. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	The Group	
	2002	2001
	HK$'000	HK$'000
Matured within 180 days	**600**	22,770
Matured between 181 days to 365 days	**600**	1,700
Matured within one year	**1,200**	24,470
Matured over one year	**2,217**	42,646
	3,417	67,116

23. INVENTORIES

	The Group	
	2002	2001
	HK$'000	HK$'000
Finished goods held for sale	**65,391**	53,983

Finished goods of approximately HK$2,607,000 (2001: HK$8,479,000) are carried at net realisable value.

24. ACCOUNTS RECEIVABLE

	The Group	
	2002	2001
	HK$'000	HK$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**5,254**	10,928
Cash clients	**29,433**	11,817
Margin clients	**100,467**	221,456
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**36,887**	43,674
Trade debtors	**550**	2,997
	172,591	290,872

Notes to the Financial Statements

For the year ended 31 December 2002

24. ACCOUNTS RECEIVABLE (continued)

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options are two days after trade date, and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Except for the loans to margin clients as mentioned below, all the above balances aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in accounts receivable from margin clients arising from the business of dealing in securities is an amount in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount are as follows:

Name of company	Balance at 31.12.2002 HK$'000	Balance at 1.1.2002 HK$'000	Maximum amount outstanding during the year HK$'000
Cash Guardian	8,862	–	28,575
Suffold Resources Limited ("Suffold")	–	25,220	25,385
	8,862	25,220	

The above balances are secured by pledged securities and repayable on demand, and bear interest at commercial rates which are similar to the rates offered to other margin clients.

The aged analysis of trade debtors at the balance sheet date is as follows:

	2002 HK$'000	2001 HK$'000
0 – 30 days	**326**	2,609
31 – 60 days	**120**	388
61 – 90 days	**76**	–
Over 90 days	**28**	–
	550	2,997

The Group allows an average credit period of 60 days to its trade debtors.

Notes to the Financial Statements

For the year ended 31 December 2002

25. PLEDGED BANK DEPOSITS

The Group

At the balance sheet date, the Group's bank deposits of HK$611,000 and HK$26,279,000 were pledged to banks to secure the forward foreign exchange facilities and general banking facilities granted to a subsidiary and an associate respectively.

At 31 December 2001, the Group's bank deposits of HK$42,868,000 were pledged to banks to secure the general banking facilities granted to subsidiaries and an associate, and to secure foreign exchange margin trading facilities granted to a subsidiary. In addition, the Group's bank deposit of HK$877,000 was pledged to secure a bank guarantee of HK$877,000 given to one of the Group's landlords.

26. ACCOUNTS PAYABLE

	The Group	
	2002	2001
	HK$'000	HK$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	**158,188**	243,866
Margin clients	**28,053**	52,575
Accounts payable to clients arising from the business of dealing in futures and options	**149,549**	119,826
Trade creditors	**154,236**	131,779
	490,026	548,046

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Notes to the Financial Statements

For the year ended 31 December 2002

26. ACCOUNTS PAYABLE (continued)

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of futures and options dealing.

The aged analysis of trade creditors at the balance sheet date is as follows:

	2002 HK$'000	2001 HK$'000
0 – 30 days	40,785	35,671
31 – 60 days	29,813	30,784
61 – 90 days	33,516	24,989
Over 90 days	50,122	40,335
	154,236	131,779

27. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Amounts payable under finance leases:				
Within one year	717	2,033	681	1,988
In the second to fifth year inclusive	772	893	753	749
	1,489	2,926	1,434	2,737
Less: Future finance charges	55	189	–	–
Present value of lease obligations	1,434	2,737	1,434	2,737
Less: Amount due for payment within one year			681	1,988
Amount due for payment after one year			753	749

Notes to the Financial Statements

For the year ended 31 December 2002

27. OBLIGATIONS UNDER FINANCE LEASES (continued)

It is the Group's policy to lease certain of its furniture, fixtures and equipment, and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and an amount of HK$919,000 (2001: HK$599,000) is secured by guarantees given by a subsidiary.

28. BANK BORROWINGS

	The Group	
	2002	2001
	HK$'000	HK$'000
Bank overdrafts	**77,104**	10,248
Bank loans	**75,900**	127,000
Trust receipt loans	**52,538**	18,341
	205,542	155,589
Unsecured	**10,820**	496
Secured	**194,722**	155,093
	205,542	155,589

The bank borrowings bear interest at commercial rates and are repayable on demand or within one year. These borrowings are used to finance the financing business and the retail business of the Group.

At 31 December 2002, the Group's bank borrowings of HK$194,722,000 (2001: HK$155,093,000) were secured by:

(a) corporate guarantees from two subsidiaries and the Company;

(b) marketable securities of the Group's clients (with clients' consent);

(c) pledge of the Group's certain leasehold land and buildings;

(d) pledge of HK$9,111,000 (2001: HK$8,500,000) bank deposits; and

(e) a subsidiary's listed shares with an aggregate market value of approximately HK$129,320,000 at 31 December 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

29. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2001		8,000,000	800,000
Increase during the year		2,000,000	200,000
At 31 December 2001 and at 1 January 2002		10,000,000	1,000,000
Reduced due to share consolidation	(a)(i)	(9,500,000)	–
Reduced due to capital reduction	(a)(ii)	–	(950,000)
Cancellation of unissued share capital	(a)(iii)	(180,283)	(18,028)
Increase during the year	(a)(iii)	180,283	18,028
At 31 December 2002		500,000	50,000
Issued and fully paid:			
At 1 January 2001		5,923,898	592,390
Issued as consideration to acquire 78.44% of the issued capital of Pricerite	(b)	507,654	50,765
Issued as consideration for general offer related to the acquisition of Pricerite	(b)	164	16
Shares repurchased and cancelled	(c)	(37,362)	(3,736)
At 31 December 2001 and at 1 January 2002		6,394,354	639,435
Reduced due to share consolidation	(a)(i)	(6,074,637)	–
Reduced due to capital reduction	(a)(ii) & (iv)	–	(607,464)
Shares repurchased and cancelled	(c)	(14,242)	(1,424)
Exercise of warrants	(d)	9	1
At 31 December 2002		305,484	30,548

Notes:

(a) Share consolidation and capital reduction

Pursuant to the special resolution passed on 25 April 2002, the Company:

(i) consolidated every 20 issued and unissued shares of HK$0.10 each into one share of HK$2.00 each ("Consolidated Share(s)") ("Share Consolidation");

Notes to the Financial Statements

For the year ended 31 December 2002

29. SHARE CAPITAL (continued)

(ii) reduced the issued share capital by cancelling paid up capital to the extent of HK$1.90 on each of the Consolidated Shares in issue ("Capital Reduction");

(iii) cancelled all of the authorised but unissued share capital and forthwith upon such cancellation, increased the authorised share capital to HK$50,000,000 by the creation of additional new shares of HK$0.10 each; and

(iv) transferred the credit amount arising from the Capital Reduction of approximately HK$607,464,000 to the contributed surplus account.

Share Consolidation and Capital Reduction took effect on 26 April 2002.

(b) Acquisition of majority interests in Pricerite

On 9 February 2001, the Company entered into agreements with Miliway Resources Limited ("Miliway") and Joyplace Inc ("Joyplace"), pursuant to which the Company agreed to purchase or procure the purchase of 320,000,000 and 115,132,000 shares of HK$0.10 each in Pricerite respectively from Miliway and Joyplace at a consideration of HK$112,000,000 and HK$40,296,200 respectively. The considerations were settled by the issue and allotment of 373,333,333 and 134,320,667 shares of HK$0.10 each in the Company.

Following the completion of the agreements with Miliway and Joyplace, the Company made unconditional general offers for all the issued shares in Pricerite on the basis of one share in Pricerite for HK$0.35 or six shares in Pricerite for seven shares in the Company, and the outstanding options which entitle the holders to subscribe for shares in Pricerite on the basis of each option for HK$0.0001. During the period of the general offers, the Company issued 164,605 shares of HK$0.10 each in the Company to acquire 141,096 shares of HK$0.10 each in Pricerite.

(c) Shares repurchased

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	**Number of ordinary shares of HK$0.10 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid (before expenses)**
		HK$	HK$	HK$
May	1,126,000	1.96	1.87	2,141,420
June	13,116,000	1.99	1.00	24,447,040
	14,242,000			26,588,460

The above shares were cancelled upon repurchase.

The Directors considered that as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Notes to the Financial Statements

For the year ended 31 December 2002

29. SHARE CAPITAL (continued)

(d) Warrants

The placing warrants and bonus warrants issued by the Company in 2000 lapsed after the close of business on 31 January 2002 and 31 July 2002 respectively. During the year, a total amount of approximately HK$109,000 bonus warrants were exercised by warrantholders to subscribe for a total number of 8,422 ordinary shares in the Company at the adjusted subscription price of HK$13 per share.

30. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP						
At 1 January 2001	196,221	500,992	1,160	71,887	(169,410)	600,850
Issue of shares	101,564	–	–	–	–	101,564
Share issue expenses	(816)	–	–	–	–	(816)
Premium arising from repurchase of shares	(2,934)	–	–	–	–	(2,934)
Goodwill reversed on disposal of an associate	–	18,508	–	–	–	18,508
Net loss for the year	–	–	–	–	(454,036)	(454,036)
At 31 December 2001 and at 1 January 2002	294,035	519,500	1,160	71,887	(623,446)	263,136
Capital Reduction	–	607,464	–	–	–	607,464
Amount transferred to write off accumulated losses	–	(669,503)	–	–	669,503	–
Issue of shares upon exercise of warrants	108	–	–	–	–	108
Premium arising from repurchase of shares	(25,295)	–	–	–	–	(25,295)
Gain on expiry of warrants recognised in the income statement	–	–	–	(59,573)	–	(59,573)
Net loss for the year	–	–	–	–	(440,583)	(440,583)
At 31 December 2002	268,848	457,461	1,160	12,314	(394,526)	345,257
Attributable to:						
Company and subsidiaries	268,848	457,461	1,160	12,314	(86,489)	653,294
Associates	–	–	–	–	(308,037)	(308,037)
	268,848	457,461	1,160	12,314	(394,526)	345,257

Notes to the Financial Statements

For the year ended 31 December 2002

30. RESERVES (continued)

	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY					
At 1 January 2001	194,183	580,593	59,573	(23,595)	810,754
Issue of shares	101,564	–	–	–	101,564
Share issue expenses	(816)	–	–	–	(816)
Premium arising from repurchase of shares	(2,934)	–	–	–	(2,934)
Net loss for the year	–	–	–	(645,908)	(645,908)
At 31 December 2001 and at 1 January 2002	291,997	580,593	59,573	(669,503)	262,660
Capital Reduction	–	607,464	–	–	607,464
Amount transferred to write off accumulated losses	–	(669,503)	–	669,503	–
Issue of shares upon exercise of warrants	108	–	–	–	108
Premium arising from repurchase of shares	(25,295)	–	–	–	(25,295)
Gain on expiry of warrants recognised in the income statement	–	–	(59,573)	–	(59,573)
Net loss for the year	–	–	–	(441,037)	(441,037)
At 31 December 2002	266,810	518,554	–	(441,037)	344,327

The contributed surplus of the Group arose as a result of the group reorganisation in 1994 and represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation and the nominal value of the share capital of the Company issued in exchange thereof.

At 1 January 2001, goodwill arising from acquisition of an associate of approximately HK$18,503,000 was included in the Group's contributed surplus account. This goodwill was reversed on disposal of the associate in 2001.

The contributed surplus of the Company arose as a result of the group reorganisation in 1994 and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange therefore.

Notes to the Financial Statements

For the year ended 31 December 2002

30. RESERVES (continued)

Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Pursuant to the minutes of a directors' meeting held on 16 May 2002, an amount of approximately HK$669,503,000 was transferred from contributed surplus account to set off the accumulated losses of the Company at 31 December 2001.

Notes to the Financial Statements

For the year ended 31 December 2002

31. ACQUISITION OF SUBSIDIARIES

	2002 HK$'000	2001 HK$'000
NET ASSETS ACQUIRED		
Property and equipment	**40,450**	142,370
Prepayments, deposits and other receivables	**160**	33,807
Inventories	**–**	52,637
Taxation recoverable	**–**	125
Bank balances and cash	**–**	68,538
Pledged bank deposits	**–**	8,500
Accounts payable	**–**	(107,820)
Accrued liabilities and other payables	**(10)**	(21,989)
Bank borrowings	**–**	(42,120)
Minority interests	**–**	(28,666)
	40,600	105,382
Goodwill on consolidation	**–**	100,596
	40,600	205,978
SATISFIED BY		
Shares allotted	**–**	152,345
Cash	**40,600**	53,633
	40,600	205,978
NET CASH INFLOW (OUTFLOW) ARISING ON ACQUISITION		
Cash consideration	**(40,600)**	(53,633)
Bank balances and cash acquired	**–**	26,418
	(40,600)	(27,215)

The subsidiaries acquired during the year contributed zero revenue and a loss of HK$40,000,000, and made no significant contribution to the cash flows for the period between the date of acquisition and the balance sheet date.

The subsidiaries acquired during the year ended 31 December 2001 contributed HK$749,000,000 revenue and HK$15,000,000 of profit before taxation for the period between the date of acquisition and 31 December 2001. During the period since acquisitions during the year ended 31 December 2001, the subsidiaries acquired have contributed approximately HK$40,000,000 to the Group's net operating cash flows, contributed approximately HK$157,000,000 in respect of financing activities and utilised approximately HK$91,000,000 for investing activities.

Notes to the Financial Statements

For the year ended 31 December 2002

32. DISPOSAL OF SUBSIDIARIES

	2002 HK$'000	2001 HK$'000
NET ASSETS DISPOSED OF		
Investments	–	20,651
Accounts payable	–	(28)
	–	20,623
Loss on disposal	–	(1,023)
Total consideration	–	19,600
SATISFIED BY		
Cash	–	19,600
NET CASH INFLOW ARISING ON DISPOSAL		
Cash	–	19,600

The subsidiaries sold during the year ended 31 December 2001 contributed HK$30,248,000 to the Group's net operating cash outflow.

The subsidiaries disposed of during the year ended 31 December 2001 contributed HK$28,803,000 to the Group's loss before taxation.

33. MAJOR NON-CASH TRANSACTIONS

Pursuant to an agreement entered into between the Company and a third party, the third party agreed to procure its group companies to provide advertising and tele-communication services to the Company and its subsidiaries. The fee for these services will be used to offset the deposits which the Group paid and was previously classified as deposits for long term investments/projects in the financial statements. Thus, an amount of HK$39,000,000 was transferred from deposits for long term investments/projects account to prepayment for advertising and tele-communication services account. During the year, the Group utilised advertising and tele-communication services amounting to approximately HK$5,746,000.

During the year, the Group entered into finance lease in respect of assets with a total capital value at the inception of the finance leases of approximately HK$1,241,000 (2001: HK$1,220,000).

During the year ended 31 December 2001, the Company acquired 435,132,000 shares of HK$0.10 each in Pricerite at a consideration of approximately HK$152,296,200. The consideration was satisfied by the issue and allotment of 507,654,000 shares in the Company. During the period of the general offers made by the Company, the Company acquired 141,096 shares of HK$0.10 each in Pricerite by issue of 164,605 shares in the Company.

Notes to the Financial Statements

For the year ended 31 December 2002

34. DEFERRED TAXATION

At the balance sheet date, the components of the unprovided deferred taxation assets (liabilities) were as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of timing differences because of:				
Estimated tax losses	**78,344**	59,570	**–**	–
Excess of tax allowances over depreciation	**(11,796)**	(10,177)	**–**	–
	66,548	49,393	**–**	–

A net deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses available to offset future assessable profits as it is not certain that the estimated tax losses will be utilised in the foreseeable future.

The amount of unprovided deferred taxation credit (charge) for the year were as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of timing difference because of:				
Estimated tax losses arising (utilising)	**18,774**	(15,714)	**–**	–
Excess of tax allowances over depreciation	**(1,619)**	(2,809)	**–**	(107)
	17,155	(18,523)	**–**	(107)

35. CONTINGENT LIABILITIES

(a) Mr. Cheung Yiu Wing ("Cheung"), the former chairman and a shareholder of King Pacific International Holdings Limited ("KPI"), filed a statement of claim against the Company alleging that the Company had orally agreed to purchase from Cheung 50 million shares of KPI at a price of HK$1.90 per share and seeking relief against the Company for the material specific performance thereof. The Directors confirmed that no discussions had been made between the Company and Cheung in relation to any purchase or intention to purchase the said shares as claimed by Cheung and no agreement in whatever nature, oral or written, had been entered into between the Company and Cheung. Relying on the advice from a legal counsel, the Directors does not envisage the claim by Cheung being held to be valid. Accordingly, no provision was made in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002

35. CONTINGENT LIABILITIES (continued)

(b) The Group has given a guarantee to a bank in respect of general facilities granted to an associate. The extent of such facilities utilised by the associate at 31 December 2002 amounted to nil (2001: HK$18,450,000).

(c) The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2002 amounted to approximately HK$39,335,000 (2001: HK$55,774,000).

36. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**121,480**	94,529	**10,210**	8,155
In the second to fifth year inclusive	**174,673**	157,615	**7,930**	2,269
After five years	**4,279**	10,527	**–**	–
	300,432	262,671	**18,140**	10,424

Operating lease payments represent rentals payable by the Group for office premises and retail shops. Leases are mainly negotiated for an average term of six years and rentals are fixed for an average of three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shop.

37. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

(a) *Share option scheme adopted on 29 March 1994 ("Old Option Scheme")*

The major terms of the Old Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any employee or director of any member of the Group.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(A) Share option schemes of the Company (continued)

(a) Share option scheme adopted on 29 March 1994 ("Old Option Scheme") (continued)

(iii) The maximum number of shares in respect of which options might be granted under the Old Option Scheme must not exceed 10% of the issued share capital of the Company from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Old Option Scheme from time to time.

(v) A grantee was required to hold an option for a minimum of 6 months before the option became exercisable.

(vi) The exercise period of an option granted must not exceed a period of 3 years commencing on the expiry of the abovementioned minimum holding period or 28 March 2004, whichever the earlier.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of an option must be the higher of:

- a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
- the nominal value of the share.

(ix) The life of the Old Option Scheme was originally effective for 10 years until 28 March 2004. On 19 February 2002, the Old Option Scheme was resolved by the shareholders of the Company to have been cancelled thereon. However, the options granted under the Old Option Scheme are still exercisable in accordance with the terms of the Old Option Scheme.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(A) Share option schemes of the Company (continued)

(b) Share option scheme adopted on 19 February 2002 ("New Option Scheme")

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the New Option Scheme to replace the Old Option Scheme. All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Group, including CFSG and its subsidiaries ("CFSG Group") and Pricerite and its subsidiaries ("Pricerite Group") (altogether "Three Groups"); or
- attract potential candidates to serve the Three Groups for the benefit of the development of the Three Groups.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Three Groups.

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 31,971,740 shares, representing 10.47% of the issued share capital of the Company as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of Directors and provided in the offer of grant of option.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(A) **Share option schemes of the Company** (continued)

(b) Share option scheme adopted on 19 February 2002 ("New Option Scheme") (continued)

(vi) The exercise period should be any period fixed by the board of Directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(A) Share option schemes of the Company (continued)

The following table discloses details of the Company's share options held by the Directors and the employees of the Three Groups and movements in such holdings during the year:

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	Number of options: outstanding as at 1.1.2001	granted in 2001	lapsed in 2001	outstanding as at 31.12.2001 and 1.1.2002	adjusted on 25.4.2002	granted in 2002	lapsed in 2002 (Note 6)	outstanding as at 31.12.2002
Directors												
Old Option Scheme	13.5.1999	0.23	13.5.2000 – 12.11.2001		2,500,000	–	(2,500,000)	–	–	–	–	–
	4.10.1999	0.59	8.4.2000 – 7.4.2002		120,000,000	–	–	120,000,000	–	–	(120,000,000)	–
	4.10.1999	0.59	8.4.2000-7.4.2002	(2)	8,750,000	–	–	8,750,000	–	–	(8,750,000)	–
	1.6.2000	7.00	1.12.2000 – 30.11.2002	(1) & (3)	10,000,000	–	–	10,000,000	(9,500,000)	–	(500,000)	–
	6.11.2000	5.40	16.5.2001-15.5.2003	(1) & (3)	30,000,000	–	–	30,000,000	(28,500,000)	–	–	1,500,000
	31.8.2001	2.60	1.3.2002-28.2.2004	(1) & (3)	–	30,000,000	–	30,000,000	(28,500,000)	–	–	1,500,000
New Option Scheme	2.5.2002	1.32	2.5.2002-30.4.2003	(5)	–	–	–	–	–	16,500,000	–	16,500,000
	2.5.2002	1.32	1.11.2002-31.10.2003	(3) & (5)	–	–	–	–	–	600,000	–	600,000
					171,250,000	30,000,000	(2,500,000)	198,750,000	(66,500,000)	17,100,000	(129,250,000)	20,100,000
Employees												
Old Option Scheme	13.5.1999	4.60	13.11.2000-12.5.2002	(1)	750,000	–	–	750,000	(712,500)	–	(37,500)	–
	4.10.1999	0.59	8.4.2000-7.4.2002	(2)	28,490,000	–	(4,680,000)	23,810,000	–	–	(23,810,000)	–
	15.11.1999	0.61	1.11.2000-31.10.2002	(4)	10,000,000	–	–	10,000,000	–	–	(10,000,000)	–
	10.1.2000	16.00	10.1.2001-9.1.2003	(1)	10,000,000	–	–	10,000,000	(9,500,000)	–	–	500,000
	10.1.2000	16.00	11.7.2000-10.7.2002	(1) & (2)	500,000	–	–	500,000	(475,000)	–	(25,000)	–
	1.6.2000	7.00	1.12.2000-30.11.2002	(1) & (3)	45,000,000	–	–	45,000,000	(42,750,000)	–	(2,250,000)	–
	28.7.2000	9.80	1.2.2001-31.1.2003	(1) & (2)	11,000,000	–	(10,000,000)	1,000,000	(950,000)	–	–	50,000
	6.11.2000	5.40	16.5.2001-15.5.2003	(1) & (3)	20,000,000	–	–	20,000,000	(19,000,000)	–	–	1,000,000
	6.11.2000	5.40	16.5.2001-15.5.2003	(1) & (2)	6,500,000	–	(500,000)	6,000,000	(5,700,000)	–	–	300,000
	2.2.2001	4.80	16.8.2001-15.8.2003	(1) & (2)	–	6,000,000	–	6,000,000	(5,700,000)	–	–	300,000
	31.8.2001	2.60	1.3.2002-28.2.2004	(1) & (3)	–	60,000,000	–	60,000,000	(57,000,000)	–	–	3,000,000
New Option Scheme	2.5.2002	1.32	2.5.2002-30.4.2003	(5)	–	–	–	–	–	3,000,000	–	3,000,000
	2.5.2002	1.32	1.11.2002-31.10.2003	(3) & (5)	–	–	–	–	–	2,000,000	–	2,000,000
					132,240,000	66,000,000	(15,180,000)	183,060,000	(141,787,500)	5,000,000	(36,122,500)	10,150,000
					303,490,000	96,000,000	(17,680,000)	381,810,000	(208,287,500)	22,100,000	(165,372,500)	30,250,000

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(A) Share option schemes of the Company (continued)

Notes:

(1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002. The exercise price per share before share consolidation was HK$0.35, HK$0.27, HK$0.13, HK$0.23, HK$0.80, HK$0.80, HK$0.35, HK$0.49, HK$0.27, HK$0.27, HK$0.24 and HK$0.13 respectively.

(2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.

(3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

(4) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

(5) The closing price of the share immediately before the date of grant was HK$1.32 (2001: HK$0.295 and HK$0.152 respectively).

(6) The lapsed options were due to expiry or cessation of employment of participants with the Group.

(7) No option was exercised or cancelled during the year.

The exercise in full of the outstanding 30,250,000 share options at 31 December 2002 would, under the present capital structure of the Company, result in the issue of 30,250,000 additional shares for a total cash consideration, before expenses, of approximately HK$65,922,000.

Total consideration received during the year from the Directors and the employees for taking up the options granted amounted to HK$20 (2001: HK$5).

No charge is recognised in the income statement in respect of the value of options granted during the year.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG

(a) Share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme")

The major terms of the CFSG Old Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any full-time employee or executive Director of any member of CFSG Group.

(iii) The maximum number of shares in respect of which options might be granted under the CFSG Old Option Scheme must not exceed 10% of the shares in issue as at the approval of shareholders from time to time and in any event the total maximum number of shares which might be issued or issuable upon exercise of all outstanding options should not exceed 30% of the issued share capital of CFSG from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the CFSG Old Option Scheme, must not exceed 25% of the maximum shares issuable under the CFSG Old Option Scheme from time to time.

(v) No minimum period for which an option must be held before it became exercisable was required.

(vi) The exercise period of an option granted must not be less than 3 years and beyond 14 December 2010.

(vii) The acceptance of an option, if accepted, must be made within 3 business days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to CFSG.

(viii) The exercise price of an option must be the highest of:

- the closing price of the share on the grant date;
- the average closing price of the share for the 5 trading days immediately preceding the grant; and
- the nominal value of the share.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(a) Share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme") (continued)

(ix) The life of the CFSG Old Option Scheme was originally effective for 10 years until 14 December 2010. On 19 February 2002, the CFSG Old Option Scheme was resolved by the shareholders of the CFSG to have been cancelled thereon. However, the options granted under CFSG Old Option Scheme are still exercisable in accordance with the terms of the CFSG Old Option Scheme.

(b) Share option scheme adopted on 19 February 2002 ("CFSG New Option Scheme")

Pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002, CFSG adopted the CFSG New Option Scheme to replace the CFSG Old Option Scheme. All the options granted under the CFSG Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CFSG Old Option Scheme. No option has been granted under the CFSG New Option Scheme since its adoption on 19 February 2002. The major terms of the CFSG New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Three Groups; or
- attract potential candidates to serve the Three Groups for the benefit of the development of the Three Groups.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Three Groups.

(iii) The maximum number of shares in respect of which options might be granted under the CFSG New Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CFSG New Option Scheme and any other share option scheme must not exceed 30% of the share in issue from time to time.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(b) Share option scheme adopted on 19 February 2002 ("CFSG New Option Scheme") (continued)

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the CFSG New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of CFSG and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of CFSG upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to CFSG.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the CFSG New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(B) **Share option schemes of CFSG** (continued)

The following table discloses details of the share options granted by CFSG and held by the Directors and the employees of the Three Groups and movements in such holdings during the year:

					Number of options						
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	outstanding as at 1.1.2001	granted in 2001	lapsed in 2001	outstanding as at 31.12.2001 and 1.1.2002	adjusted on 25.4.2002	lapsed in 2002	outstanding as at 31.12.2002
Directors											
CFSG Old Option Scheme	26.3.2001	2.20	1.10.2001 – 30.9.2004	(1) & (2)	–	45,000,000	–	45,000,000	(42,750,000)	–	2,250,000
Employees											
CFSG Old Option	26.3.2001	2.20	1.10.2001 – 30.9.2004	(1) & (2)	–	55,000,000	–	55,000,000	(52,250,000)	–	2,750,000
Scheme	27.3.2001	2.20	1.10.2001– 30.9.2004	(1) & (2)	–	26,300,000	(2,200,000)	24,100,000	(21,945,000)	(1,510,000)	645,000
					–	81,300,000	(2,200,000)	79,100,000	(74,195,000)	(1,510,000)	3,395,000
					–	126,300,000	(2,200,000)	124,100,000	(116,945,000)	(1,510,000)	5,645,000

Notes:

(1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of CFSG for 20 shares into 1 share with effect from the close of business on 25 April 2002. The exercise price per share before share consolidation was HK$0.11.

(2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite

(a) *Share option scheme adopted on 21 January 1994 ("Pricerite Old Option Scheme")*

The major terms of the Pricerite Old Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any full-time employee or executive director of any member of Pricerite Group.

(iii) the maximum number of shares in respect of which options may be granted under the Pricerite Old Option Scheme must not exceed 10% of the issued share capital of Pricerite from time to time.

(iv) the maximum number of shares in respect of which options may be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Pricerite Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Pricerite Old Option Scheme from time to time.

(v) No minimum period for which an option must be held before it became exercisable was required.

(vi) The exercise period of an option shall be any period determined by the board of directors of Pricerite but shall not be beyond 20 January 2004.

(vii) The acceptance of an option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to Pricerite.

(viii) The exercise price of an option must not be less than the higher of:

- a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
- the nominal value of the share.

(ix) The life of the Pricerite Old Option Scheme was originally effective for 10 years until 20 January 2004. On 19 February 2002, the Pricerite Old Option Scheme was resolved by the shareholders of Pricerite to have been cancelled thereon. However, the options granted under the Pricerite Old Option Scheme are still exercisable in accordance with the terms of the Pricerite Old Option Scheme.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

(b) *Share option scheme adopted on 19 February 2002 ("Pricerite New Option Scheme")*

Pursuant to an ordinary resolution passed at the special general meeting of Pricerite held on 19 February 2002, Pricerite adopted the Pricerite New Option Scheme to replace the Pricerite Old Option Scheme. All the options granted under the Pricerite Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Pricerite Old Option Scheme. No option has been granted under the Pricerite New Option Scheme since its adoption on 19 February 2002. The major terms of the Pricerite New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Three Groups; or
- attract potential candidates to serve the Three Groups for the benefit of the development of the Three Groups.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the Three Groups.

(iii) The maximum number of shares in respect of which options might be granted under the Pricerite New Option Scheme must not exceed 10% of the issued share capital of Pricerite as at the date of approval of the Pricerite New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Pricerite New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Pricerite New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

(b) Share option scheme adopted on 19 February 2002 ("Pricerite New Option Scheme") (continued)

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of Pricerite and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of Pricerite upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to Pricerite.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share.

(ix) The life of the Pricerite New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2002

37. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

The following table discloses details of the share options granted by Pricerite and held by the Directors and the employees of the Three Groups and movements in such holdings during the year:

					Number of options								
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	outstanding as at 1.1.2001	granted in 2001	exercised in 2001	lapsed in 2001	adjusted due to right issue	outstanding as at 31.12.201 and 1.1.2002	granted in 2002	lapsed in 2002	outstanding as at 31.12.2002
Directors													
Pricerite Old	12.6.2000	0.32	13.6.2000 – 12.6.2002	(1)	10,000,000	–	–	–	8,000,000	18,000,000	–	(18,000,000)	–
Option Scheme	12.6.2001	0.21	16.6.2001 – 15.6.2003	(2)	–	16,000,000	–	–	12,800,000	28,800,000	–	(7,200,000)	21,600,000
	17.1.2002	0.21	1.2.2002 – 31.1.2004		–	–	–	–	–	–	72,000,000	(13,000,000)	59,000,000
					10,000,000	16,000,000	–	–	20,800,000	46,800,000	72,000,000	(38,200,000)	80,600,000
Employees													
Pricerite Old	12.6.2000	0.32	13.6.2000 – 12.6.2003	(1) & (3)	4,495,000	–	(590,000)	(1,608,000)	2,140,000	4,437,000	–	(918,000)	3,519,000
Option Scheme	12.6.2000	0.32	13.6.2000 – 12.6.2002	(1) & (4)	4,000,000	–	–	(2,000,000)	1,600,000	3,600,000	–	(3,600,000)	–
	12.6.2000	0.32	13.6.2000 – 12.6.2002		10,000,000	–	–	(10,000,000)	–	–	–	–	–
	17.1.2002	0.21	1.2.2002 – 31.1.2004		–	–	–	–	–	–	42,500,000	–	42,500,000
					18,495,000	–	(590,000)	(13,608,000)	3,740,000	8,037,000	42,500,000	(4,518,000)	46,019,000
					28,495,000	16,000,000	(590,000)	(13,608,000)	24,540,000	54,837,000	114,500,000	(42,718,000)	126,619,000

Notes:

(1) The initial exercise price was HK$0.58. On 23 November 2001, the exercise price was adjusted to HK$0.32 due to the rights issue.

(2) The initial exercise price was HK$0.39. On 23 November 2001, the exercise price was adjusted to HK$0.21 due to the rights issue.

(3) The options are vested in 3 tranches as to (i) 1/3 exercisable from the commencement of the exercise period; (ii) 1/3 exercisable from the expiry of 12 months from the commencement of the exercise period; and (iii) 1/3 exercisable from the expiry of 24 months from the commencement of the exercise period.

(4) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

Notes to the Financial Statements

For the year ended 31 December 2002

38. RETIREMENT BENEFITS SCHEMES

The Group operates Mandatory Provident Fund Schemes ("MPF Schemes") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. All the employees of the Group in Hong Kong are required to join the MPF Schemes. In respect of those employees who leave the Group prior to completion of qualifying service period for the employer's voluntary contributions (represents contributions in excess of the mandatory requirements under the Mandatory Provident Fund Schemes Ordinance plus all the assets transferred from the Old Scheme) become fully vested, the relevant portion of the voluntary contributions forfeited will be reverted to the Group. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes.

The employer's contributions to the retirement benefits schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$8,619,000 (2001: HK$9,278,000) and HK$1,880,000 (2001: HK$515,000) respectively for the year ended 31 December 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

39. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	2002 HK$'000	2001 HK$'000
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the financial statements	10,630	8,000

(b) Other commitments

At the balance sheet date, the Group had the following other commitments:

	2002 HK$'000	2001 HK$'000
Contracted commitment in respect of advertising expenditure	3,306	7,398

(c) Forward foreign exchange contracts

At the balance sheet date, the Group had the following notional amounts of forward foreign exchange contracts:

	2002 HK$'000	2001 HK$'000
Buying of Euro	825	–
Buying of USD	15,600	–
Selling of Yen	9,700	2,972
	26,125	2,972

Notes to the Financial Statements

For the year ended 31 December 2002

40. RELATED PARTY TRANSACTIONS

During the year, the Group had the following related party transactions:

(a) The Group received interest from margin financing of approximately HK$1,473,000 (2001: nil) and nil (2001: HK$1,942,000) from Cash Guardian and Suffold respectively, in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(b) The Group pledged bank deposits of HK$17,779,000 (2001: HK$34,000,000) to secure general banking facilities granted to an associate by a bank, for which no charge is made. At 31 December 2002, the associate had utilised nil (2001: HK$18,450,000) of these banking facilities.

During the year ended 31 December 2001, the Company acquired 320,000,000 shares of HK$0.10 each in Pricerite from Miliway at a consideration of HK$112,000,000 pursuant to the agreement entered into between the parties dated 9 February 2001. The consideration was settled by the issue and allotment of 373,333,333 shares of HK$0.10 each in the Company. Miliway is ultimately wholly-owned by a discretionary trust established for the benefits of the family members of Kwan Pak Hoo Bankee.

Five-Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2002	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000 (restated)	HK$'000	HK$'000
Turnover					
Continuing operations	**1,097,028**	973,560	472,836	245,321	158,729
Discontinued operations	**–**	–	1,131	–	29,359
	1,097,028	973,560	473,967	245,321	188,088
(Loss) Profit before taxation					
Continuing operations	**(564,598)**	(437,717)	(169,430)	89,670	(140,906)
Discontinued operations	**–**	(43,659)	(208,014)	–	(28,727)
	(564,598)	(481,376)	(377,444)	89,670	(169,633)
Taxation credit	**1,779**	152	1,428	1,711	142
(Loss) Profit after taxation	**(562,819)**	(481,224)	(376,016)	91,381	(169,491)
Minority interests	**122,236**	27,188	39,665	1,567	–
Net (loss) profit attributable to shareholders	**(440,583)**	(454,036)	(336,351)	92,948	(169,491)

Five-Year Financial Summary

ASSETS AND LIABILITIES

	Year ended 31 December				
	2002	2001	2000	1999	1998
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**190,301**	236,453	119,613	58,249	41,318
Goodwill	**55,260**	88,604	–	–	–
Investments in associates	**–**	164,466	61,155	–	–
Investments	**–**	57,000	175,900	–	–
Intangible assets	**12,752**	14,582	16,412	–	–
Other non-current assets	**33,408**	96,713	165,709	51,419	17,436
Current assets	**938,554**	1,254,318	1,379,629	1,673,418	357,363
Total assets	**1,230,275**	1,912,136	1,918,418	1,783,086	416,117
Current liabilities	**781,043**	813,906	603,609	559,535	351,096
Long term borrowings	**753**	749	1,627	2,570	–
Deferred taxation	**–**	–	–	1,280	1,280
Minority interests	**72,674**	194,910	119,942	54,375	–
Total liabilities and minority interests	**854,470**	1,009,565	725,178	617,760	352,376
Net assets	**375,805**	902,571	1,193,240	1,165,326	63,741

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Celestial Asia Securities Holdings Limited ("Company") will be held at Salon 4, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 5 May 2003, Monday, at 10:00 am for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2002.

2. To re-elect the retiring Directors of the Company for the ensuing year, to determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors' remuneration.

3. To re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

   A. **THAT**

      (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

Notice of Annual General Meeting

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

Notice of Annual General Meeting

B. **THAT**

(a) subject to paragraph B(b), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph B(a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

Notice of Annual General Meeting

C. **THAT** conditional upon resolutions nos.4A and 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no.4B above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no.4A above.

5. To consider and, if thought fit, to pass the following resolution, with or without amendments, as ordinary resolution:

   THAT conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares in the Company to be issued pursuant to the exercise of any options ("Options") to be granted under the existing share option scheme of the Company adopted on 19 February 2002 and any other share option scheme(s) of the Company, the Directors be and are hereby authorised, at their absolute discretion, to grant Options to the extent that the shares in the Company issuable upon the full exercise of all Options shall not be more than 10% of the issued share capital of the Company as at the date of this resolution.

By order of the Board
Joan Elmond O K Kwok
Company Secretary

Hong Kong, 31 March 2003

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. A form of proxy for use at the meeting is enclosed.